

**Strictly Private and Confidential**

**INFORMATION MEMORANDUM**  
**INITIAL PUBLIC OFFERING OF 61 MILLION**  
**ORDINARY SHARES**

**OF**



**AMTEX LIMITED**

**THROUGH THE**

**BOOK BUILDING PROCESS**

**AT A FLOOR PRICE OF RS. 13 PER SHARE**

**FINANCIAL ADVISOR, BOOK RUNNER &**  
**ARRANGER**



**AKD Securities Limited**

**Feb, 2010**

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AMTEX Limited (“**AML**” or “**the Company**”) has appointed AKD Securities Limited (“**AKDS**”) as Financial Advisor & Arranger (“**FA**”), Lead Manager (“**LM**”) and Book Runner (“**BR**”) for the proposed Initial Public Offering (“**IPO**”) of 61 million ordinary shares of Amtex Limited.

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For further information, kindly contact the Investment Banking Team of AKDS:

**Umair A. Shaikh, ACCA**

Head

Investment Banking Group

AKD Securities Limited.

6<sup>th</sup> Floor, Continental Trade Centre

Block 8, Clifton

Karachi, Pakistan.

Email: [umair.aijaz@akdsecurities.net](mailto:umair.aijaz@akdsecurities.net)

Dir: + 92-21-586-3512

PABX: +92-21-111-253-111

Fax: +92-21-586-7992

**Syed Khurram Shahid**

Manager

Investment Banking Group

AKD Securities Limited.

6<sup>th</sup> Floor, Continental Trade Centre

Block 8, Clifton

Karachi, Pakistan.

Email: [khurram.shahid@akdsecurities.net](mailto:khurram.shahid@akdsecurities.net)

Dir: + 92-21-537-4301

PABX: +92-21-111-253-111

Fax: +92-21-586-7992

**Syed Faraz Abdul Ghaffar**

Assistant Manager

Investment Banking Group

AKD Securities Limited.

6<sup>th</sup> Floor, Continental Trade Centre

Block 8, Clifton

Karachi, Pakistan.

Email: [syed.faraz@akdsecurities.net](mailto:syed.faraz@akdsecurities.net)

Dir: + 92-21-537-1303

PABX: +92-21-111-253-111

Fax: +92-21-586-7992

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## 1. Executive Summary

### 1.1 Purpose of this Information Memorandum

This Information Memorandum (“IM”) is being circulated to solicit interest from potential equity investors and underwriters to participate in the Initial Public Offering of Amtex Limited (“Amtex” or “the Company” or “AML”).

The management intends to list AML on the Karachi Stock Exchange (“KSE”) Guarantee Limited through an Initial Public Offering (“IPO”) by offering 61 million Ordinary shares. The Company will issue 42.7 million Ordinary shares (70% of the total issue size) through the Book Building process to Institutional Investors and High Net Worth Individuals (“HNWI”) at the strike price determined through the Book Building process with remaining 18.3 million Ordinary shares (30% of the total issue size) being issued to General Public. The floor price for the issue has been set at PkR 13 per share.

### 1.2 Purpose of Listing

The aim of listing is to inject additional equity into the Company for working capital requirement and balance sheet optimization. Amtex is operating on DTR model which requires extensive working capital deployment for facilitating large orders. Therefore the capital raised through the IPO would be directly utilized in repayment of long term loan and the remaining would be used for bridging working capital requirement arising from sales growth.

Out of the proceeds raised from IPO approximately 40% would be utilized to retire the long term debt financing facility being availed from Bank of Punjab and United Bank Limited. The Company will also make payment towards amount raised through Sukuk issue. This will ensure interest cost saving to the Company thereby increasing profitability. The remaining funds will be utilized for working capital requirement.

### 1.3 Overview of the Company

Amtex Limited is amongst the largest vertically integrated Textile setups in Pakistan. After establishing strong foothold in the Textile exports, Amtex has successfully switched to Direct to Retail (“DTR”) business model that has enabled it to focus on exporting high value added Products directly to premier Retailers in the EU, USA and across the globe. Despite recent economic downturn, the Company feels that there is significant demand which the existing players have failed to tap due to their Production limitations, limited penetration, inability to feed large orders and failure to switch from the traditional business model in which intermediary is involved between manufacturer and Retailer.

Boasting a capacity of more than 60,000 spindles in the spinning segment and above 5,000 looms in the weaving segment, the Company has one of the biggest Operational facilities in the

Country. With state of the art Textile manufacturing facility, internationally recognized R&D Department, Strong outsourcing capabilities, Professional management, International display centers and warehouses for facilitating procurement of orders and direct dealing with retailing giants, Amtex is marching towards becoming a leader.

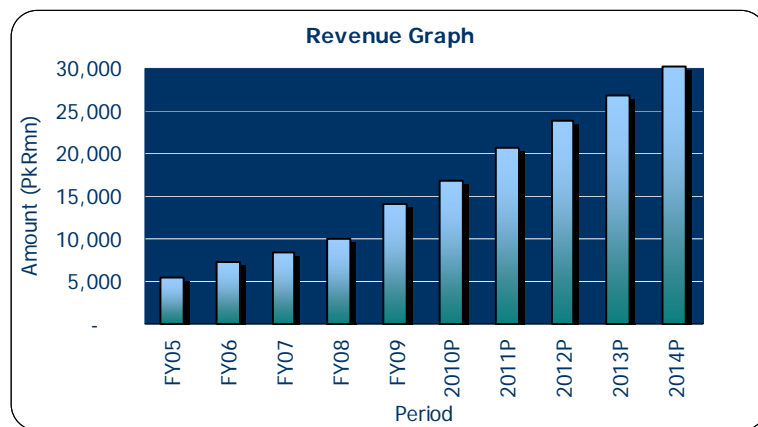
The Company's Product range is dominated by Home Textiles that makes majority of the Company's overall sales revenue. Amtex has shown huge promise in value added Home Textile sector, where it has become a leader in exporting high end quality Products. The Company is purely an export oriented Company with over 95% export sales. The Chief Executive Officer of Amtex Limited, Mr. Khurram Iftikhar recently received the highest export **Trophy Award** from the Government of Pakistan in lieu of being the "*Highest Exporter for the year 2009*" with over USD 200 mn in export sales.

Amtex is a vertically integrated group with Operations in all sectors of the Textile Industry from Spinning to Weaving, Processing, Printing, Finishing, Cut and Sewn processes. Amtex provides employment opportunities to around 15,000 families.

The Company has a diversified Product portfolio each dedicated towards different segment of the market. Amtex holds a special position in the Global Textile Industry in the sense, that it provides the largest variety and combination of Products to its customers under one roof, a concept more familiarly known as "*One Stop Shop*". Amtex's Production facilities mainly comprises of Spinning, Weaving, Singeing and Preparation, Dyeing, Printing, Finishing, Embroidery and Stitching.

## 1.4 Amtex Edge

Amtex is positioned for growth, which can be seen from the exponential growth of the Company over the years. With a Revenue CAGR of approximately 27% over the last 4 years, Amtex has posted consistent performance in the midst of global financial crisis when other Textile units were struggling. The following points give Amtex distinctive niche over its Competitors:

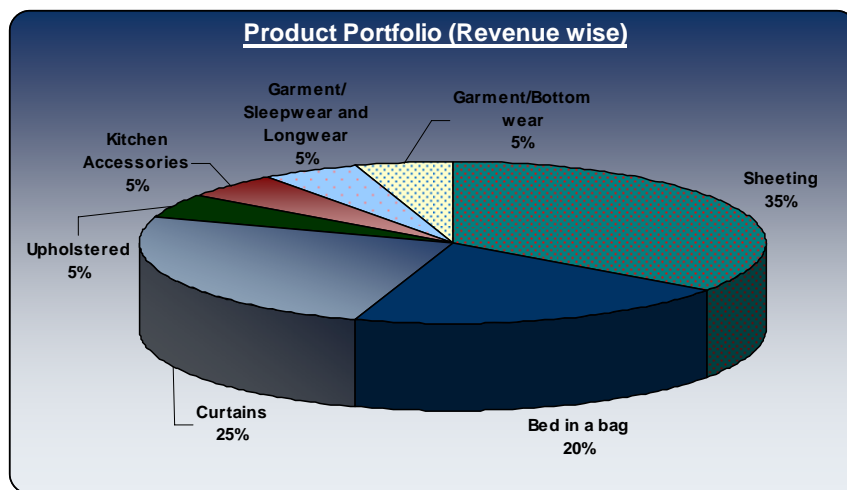


- Amtex Research and Product Development (R&D) Department has been a key factor in Amtex success. Amtex has a leading Product Development Department at both national and regional level which is primarily responsible for giving Amtex the niche in developing innovative design/fabrics and excelling in value added Products. The Company allocates a R&D budget

equivalent to 3% of the overall sales. Amtex has the history of unprecedented YoY annual sales growth.

- At Amtex, business orientation is heavily tilted towards direct dealing with Retailers instead of intermediaries/importers. The current exposure of the Company is 80% towards Retailers with remaining 20% being with intermediary. Amtex’s export destinations are mainly USA, Europe and Australia. Currently the Company’s global market segmentation is as follows:
  - North America (45%)
  - Europe (35%)
  - Australia (10%)
  - Rest of the world (10%)

The Company not just has proper market segmentation but as a policy, Company’s exposure to any particular client does not exceed 10% of the overall sales. Furthermore the Company has a diversified portfolio of products which makes up the overall sales as reflected in the given chart.



Amtex has been able to transform itself into a truly value added Company whereby it has successfully implemented **Direct to Retailer**. Direct to Retailer is essentially a model whereby the role of intermediary is eliminated. However, switching to DTR is not just a simplistic adoption of a model but a quantum leap. It requires not just adhering to new technology and up-gradation of existing IT infrastructure to conform to the strict requirement of the Retailer/buyer but it also involves a philosophy and cultural change. Under the DTR model the Company has established efficient inventory management system and setup local and international warehouses in various locations to facilitate the Retailers and cut down the delivery leadtime. Hence the Company has been able to implement a successful supply chain management system that has enabled it to capitalize and gain more margins relative to competitors.

## 1.5 Ownership Structure

Following is the shareholding pattern of Amtex as at 30<sup>th</sup> September, 2009:

Shareholder's Name	% Shareholding
Mr. Khurram Iftikhar	37.59%
Mr. Shahzad Iftikhar	30.53%
Mr. Nadeem Iftikhar	26.74%
Haji Iftikhar Uddin	3.33%
Mr. Shahid Ali	0.54%
Mr. Umer Ali	0.54%
Mr. Hassan Ali	0.54%
Haji Akbar Ali	0.20%
<b>Total</b>	<b>100.00%</b>

## 1.6 The Sponsors

Amtex is a family owned business headed by Haji Iftikhar Uddin. He is supported by his son Mr. Khurram Iftikhar, Mr. Shahzad Iftikhar and Mr. Nadeem Iftikhar. The Sponsors of the Company are experienced industrialists with great insight about the Textile business. The Company has employed experienced professionals to look after managerial and Operational activities of the Company. A brief profile of the Key members of the management of Amtex is given below:

- **Mr. Khurram Iftikhar - Chief Executive Officer**

On completing his education from Kensington College of Business, London, Mr. Khurram started his career by joining the family business and has played pivotal role in developing and consolidating the export business of the Company. Considering his glorious service to the business, Mr. Khurram has been awarded Gold Medal for “**Businessman of the Year 2001-02**”. Apart from contributing to his family business he has served in several organizations in various capacities.

- **Mr. Nadeem Iftikhar - Director Marketing**

Mr. Nadeem Iftikhar spearheads the marketing division of the Company. Over the years, Amtex has made its presence felt in every corner of the global market courtesy of pro-active marketing strategies initiated by the Company under the leadership and the vision of its senior management. After completing education, Mr. Nadeem decided to head the marketing team of Amtex and has achieved many milestones in introducing and developing the Product range of

Amtex. He has been responsible for exploring new international markets and has played a pivotal role in establishing Amtex name as one of the best garment manufacturing units in the country.

- **Mr. Shahzad Iftikhar - Director Operations**

After completing his MBA, Mr. Shahzad Iftikhar joined Amtex Limited and has played pivotal role of an anchor person in strengthening Company's Operations. Mr. Shahzad is responsible for all the Operations of the Company ranging from Spinning, Weaving, Processing and Value addition activities. Mr. Shahzad is also responsible for ensuring that the Company stays abreast of the latest technology not just by updating existing Plant and Machinery but also introducing latest technology of industrial engineering.

## 1.7 Sector Overview

Pakistan is a heavyweight itself in the Textile sector amongst regional competitors like India and China. Pakistan has the comparative advantage in being the fourth largest producer of Cotton and thus is one of the leading exporters of primarily low-value added Textile in the world. In this regards, Pakistan is the largest exporter of Cotton Yarn and a leading exporter of Home Textiles to the world. Abundant availability of the raw material gives Pakistan an edge over other countries in the region. However, Pakistan's main competitors India and China have a highly diversified economic base. While, India and Bangladesh lead in garments manufacturing, they are unable to compete with Pakistan in the Home Textiles category with the exception of China.

A comparison of regional Textile industries suggests that the Indian and Chinese Textile industries are better placed in the post quota environment with greater scale and more focus on diversification & value-addition. Pakistan remains at a disadvantage against the region in terms of rising cost of Production (elimination of power subsidy), higher prevailing interest rate environment in Pakistan and benefits enjoyed by regional counterparts (Bangladesh's GSP + status). To counter these weaknesses, the government has recently announced the first ever Textile Policy to help revive core business growth and boost up Textile exports to US\$25bn by 2014 from US\$9.56bn in 2009.

## 1.8 The Book Building Process

The present issue is being floated through the Book Building process following Book Building Rules introduced April 2008. The Book building is a process whereby investors bid for a specific number of shares at various prices. The Lead Manager ("LM") & Book Runner ("BR"), with the consent of Issuer, sets a floor price which is the lowest price an investor can bid at. An order book of bids from investors is maintained by the BR, which is then used to determine the cut off/strike price through the "Dutch Auction Method". The order book is displayed on the website of the Book Runner on real time basis.

Under the Dutch Auction Method, the strike/cut off price is determined by lowering the price to the extent that the total number of shares that the Issuer intends to issue through the Book Building process is entirely exhausted.

This mechanism offers flexibility to the investors to either withdraw or revise their bids during the bidding period.

## 1.9 Financial Summary

- Financial Highlights

The below table highlights the historical and projected key captions of Income Statement and Balance Sheet:

Summary Financial Highlights (Pkr mn)					
	FY05	FY06	FY07	FY08	FY09
Sales	5,397	7,382	8,370	10,043	14,120
GP	950	1,741	2,000	2,283	3,389
Operating Profit	635	1,341	1,524	1,758	2,628
Profit before Tax	304	624	690	759	1,055
Profit After Tax	252	557	615	673	921
Paid up Capital	552	552	802	802	902
Reserves	874	1,489	2,184	2,904	3,867
Equity	2,581	3,138	4,003	4,676	7,241
Fixed Assets	3,785	3,901	3,790	3,903	5,658
Current Assets	4,804	6,476	9,106	11,354	12,395
Total Assets	8,589	10,377	12,896	15,257	18,053
Current Liabilities	4,799	6,474	7,368	9,387	9,781
Long term Liabilities	1,210	766	1,525	1,194	1,032
Total Liabilities	6,009	7,239	8,893	10,581	10,812

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## Key Ratios

The below table highlights the historical key ratios of Amex Limited:

Key Ratios	FY05	FY06	FY07	FY08	FY09
Sales Growth	42.00%	36.78%	13.38%	19.99%	40.59%
COGS Growth	39.01%	26.84%	12.92%	21.83%	38.27%
GP Margin	17.60%	23.58%	23.90%	22.73%	24.00%
Operating Margin	11.77%	18.17%	18.35%	17.73%	18.65%
NP Margin	4.68%	7.55%	7.35%	6.70%	6.52%
NPAT growth	70.91%	120.80%	10.34%	9.44%	36.85%
ROE	9.78%	17.76%	15.36%	14.39%	12.72%
ROA	2.94%	5.37%	4.77%	4.41%	5.10%
EPS	1.05	2.31	2.55	2.79	3.81
EPS Growth	70.91%	120.80%	10.34%	9.44%	36.85%
PER (x)	12.44	5.63	5.11	4.67	3.41
BVS (Pkr)	10.69	12.99	16.58	19.36	29.98
P/BVS (x)	1.22	1.00	0.78	0.67	0.43
No of Shares	241	241	241	241	241

\* EPS and BVPS have been computed on post IPO no of shares for comparison purposes

## Valuation Summary

We have used the following valuation techniques to arrive at the intrinsic per share valuation:

- Discounted Cash flow Method
- P/E based Method
- P/B Method

The following is the per share fair valuation of the Company using the above mentioned valuation methods:

Valuation Summary	
No of Shares Offered	61,000,000
Floor price in Pkr	13.00
Fair Valuation	
DCF based Fair value in Pkr	37.54
P/E based Fair value in Pkr	42.16
P/B based Fair value in Pkr	19.60
<b>Simple Average Fair value in Pkr</b>	<b>33.10</b>

\*For detail please refer Financial Valuation Section

## 1.10 Investment Rationale

Amtex Limited is an established manufacturing entity that has decade's long proven history. The rich history of Amtex is filled with successful landmarks that have been applauded at both local and international platforms. With the deployment of young and enthusiastic professionals in the group, the outcome has been exceptional and the results speak for themselves. The Group's revenue and profitability has increased many folds over the last decade.

Amtex is a time tested Company that has come a long way, sailing boldly through the rough waters. Initially, Company's operations were confined to local market, however gradually Company penetrated into the international market. To date, the Company has become a hallmark export House, with over 95% of its products being sold overseas.

On the premise of novel ideas, strong IT infrastructure, state of the art manufacturing platform, highly advanced R&D complemented by experienced and capable team, Amtex has positioned itself to achieve sustainable growth and multiply its bottom line profitability manifolds.

The Company has been able to record a phenomenal growth levels over the last five years on the premise of various *"Unique Selling Propositions"*. The Company is definitely in the league of top tier Textile Companies of Pakistan and its Management vision, products and operational efficiencies places Amtex ahead of its Competitors.

The current IPO of the Company is poised to add further value to the Company. The floor price has been set at PKR 13 per share. With a par value of PkR10 per share, the share is being offered at a premium of PKR 3 per share.

- **Historical Performance**

Amtex was established almost 2 decades ago. The Company enjoyed history of successes since inception and has achieved countless milestones in the process. The Company's performance is verifiable from their historical performance that gives a fair idea of the dynamism of the Company's Management and vitality of the Company. The historical growth trend is expected to continue as the already-implemented strategies of the management materialize. Further the proceeds of the IPO will be utilized for further expansion of the Company's value chain which shall accelerate the growth and the value addition process.

- **Direct to Retailer**

Amtex success story can be attributed to novel ideas, which is primarily responsible for delivering value proposition. The Company has been able to deliver stunning performance with thoughtfulness of its able management team. Amtex has implemented many successful ideas, which has placed Amtex in a league of its own and in the process Amtex has left behind many local players.

The Company has successfully implemented Direct to Retail Model which has been critical for realizing sustainable above average growth level. Switching to DTR model allowed the Company to sell directly to big Retailers, without involvement of any middlemen and allowed Company to earn middleman's margin in the process. This, for Amtex, has translated into higher margins as they are able to charge higher spreads which were earlier pocketed by the importers. This can also be seen from the Company's historical margins which are significantly higher than the industry margins. The idea has also assisted in developing firm relationship with the Retailers and obtaining bulk orders from them. The Company has also established warehouses at various local and international locations to cut down on lead time for Retailers.

- **Export Oriented Company**

The Company first entered the export arena back in the year 1994. From that point, Amtex has transformed into a purely export oriented Company with the current exports of the Company standing over 95% of its total sales. The Company exports crossed USD 200 mn during the FY09. The Chief Executive Officer of Amtex Limited, Mr. Khurram Iftikhar recently received the highest export Trophy Award from the Government of Pakistan in lieu of being the "Highest Exporter for the year 2009". This is a huge hallmark for the Company as the Company has successfully established its brand image on international platform.

Amtex significant exposure to export sale isolate the Company from risks attached with the local demand dynamics. Furthermore, given the aggressive marketing strategies of the management and the availability of up to date infrastructure augmenting Company's execution capability, the rebounding international economies is bound have positive impact on the Company's topline.

- **Textile Sector - Turning the Sour "All Sweet"**

The Textile sector recently has been facing immense difficulty due to recent global crises crippling demand and supply side bottleneck - the current times are definitely testing times for the sector. However, as notified above, it is all "Go-Sweet" for Amtex. Being one of the leading Textile sector players, Amtex has been able to shield against this crisis due to niche it has manage to create over time .i.e. DTR model, focus of R&D, sound IT infrastructure and strong emphasis on high value addition segment.

The implementation of the newly introduced GSP plus system would further boost Company's exports as under the new system Pakistani manufacturers would be given preference in the region and the present duties of about 12% will be zero-rated immediately. Furthermore, newly implemented five-year Textile policy would assist in obtaining incentives from the GoP as the entire value chain would be facilitated.

- **Research & Development**

The Company boasts to have the best R&D facility recognized at both national and international level. The Company's R&D department is equipped with state of the art facilities.

Survival in Textile sector becomes a question mark if the Company is not adaptive and responsive considering the fact Textile being a dynamic sector exposed to stiff local and regional competition. This phenomenon of being responsive can only be attained if a Company has an active R&D setup. Amtex philosophy has always been that sustainable growth level can only be achieved by strong focus on Research & Development. As a policy, Company allocates 3% of its Sales revenue as R&D budget which has been the key element for exponential growth Company has witnessed till date.

Amtex abnormal growth can be attributed to strong emphasis on R&D activities which is monitored and upgraded on a continuous basis. The R&D facility employs highly trained and capable human resource. It is courtesy of R&D Department that Company has been able to churn out consistently innovative Products over the years. The Company has not just been able to keep abreast with the latest changes taking place in the Industry but also become a trend setter for others by raising the bar and launching innovative hybrid Products that has enabled the Company to increase its exports many folds.

- **Strong Outsourcing Capabilities**

Amtex has a long history and entrenched relationship with the industry players. Considering the magnitude of Operations, outsourcing was a much feasible option as Amtex has made reliable associations within the Industry. Over the period, when DTR was being implemented, Amtex crafted a network of dependable partners with whom Amtex is working till date. Currently a sizable amount of work is being outsourced to reliable business concerns that meet standard set by Amtex. Amtex has also deployed a strong vigilance team to ensure that the quality of the Products is maintained at all levels of outsourcing.

- **Innovative, Talented and Dynamic Leadership**

Amtex has steadily grown over the years but the last decade has witnessed mega growth which is mainly due to the high degree of professionalism and dedication of the management team mainly comprising of experienced and young talented leaders of the Industry.

The present management has appraised international practices and benchmarked itself against these practices to bring the Company at par with Industry leaders. The benchmarking exercise has already proved fruitful and is reflected in the last five year financials of the Company. The top management is in the process of further accelerating the growth process by bringing in more innovative ideas which would further strengthen and excel Company's growth process.

## ▪ Branded Products

Amtex has successfully evolved as a high value added Textile manufacturing concern and has gradually adopted practices that are core to the success of any Textile concerns. Working on the same lines and recognizing the strengths of Brands, Amtex Europe has successfully acquired some of the finest brands which have been critical in gaining full potential of the quality Products Amtex manufactures. The following are the renowned brands that are being fabricated under the Amtex Umbrella:

- Belisma
- Cara
- Comtessf

## ▪ Quality Control

Quality Assurance Department is an integral part of operations at Amtex Limited. The Company has always emphasized on Quality. The Company has the best equipped QC laboratory in the region.

Amtex is also ISO 9001:2000 Certified which depicts that the Company has enhanced customer satisfaction. The Company's Products are mainly exported to USA, Australia and Europe and Company's clientele includes all the leaders of the respective markets like Marks and Spencer, Wal-Mart, Next, Ikea and Myers etc.

The end Product of the Company maintains high quality and low defect ratio. This has resulted in Company's successfully meeting client's demand beyond their expectations.

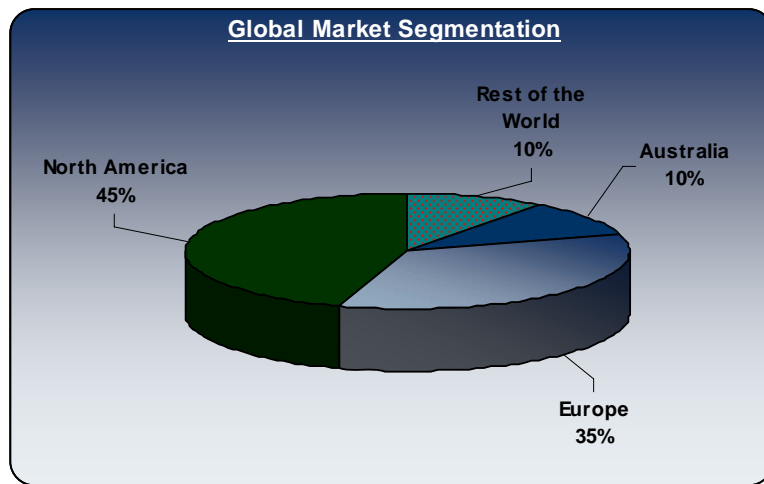
## ▪ Huge Customer Base & In-depth Market Segmentation

Amtex Limited has always remained conscious of the fact that large entities have collapsed due to dependence or concentration on particular clientele. Keeping this in view Amtex has expanded its clientele base and has successfully mitigated its dependence on a single client. Currently Amtex has a well diversified client base with over hundred major clients that include:

- Springs
- Divatex
- Arlee
- Shllinsky
- Natco
- Red Cats
- Amtex Europe
- S. A Ferozen
- Franco,
- Jay Franco

- Situp T.V.
- Bed Bath and Beyond
- Linen and Things
- JC Penny Corporation
- Target Corporation
- Sears Holding Corporation
- Wal - Mart Stores

Furthermore the group has not confined itself to a single market and the exports are spread over the USA, EU, Middle East and Australia region. This vast clientele base and proper market segmentation shelters Amtex of any dependence on clients or regions and ensures smooth Operations of the Company.



- **Low Cost and Competitive Prices of the Product**

The Company enjoys economies of scale courtesy its large Operational setup. With the elimination of any intermediary in the Direct to Retail model, it allows the Company to price its Product competitively to the end Retailer. The Company has also established its offices in overseas locations for speedy delivery and cut down in lead time thereby increasing its reach to the overseas buyers at the same time ensuring maximum customer satisfaction.

This allows the Company to set its prices competitively without impacting the margins and compete with both local and international players comfortably.

- **Philanthropist Organization**

Amtex, being a leading Textile manufacturing concern, does not believe of growth in isolation as the Company believes in sharing its success with all its Stakeholders. Amtex, being a socially responsible firm, is involved in many philanthropist activities which have reflected very positively in its image building amongst the local public. In the city of Faisalabad, Amtex has built the biggest man-made waterfall of Asia. The Company has also built a Zoo under the name of "AmZoo" for the protection of endangered species. It is also taking steps in tree plantation/creating green belt to create healthy environment.

For developing professional skills among youth the Company played pivotal role in establishing Faisalabad Institute of Textile and Fashion Design (FITFD). The Company has WRAP (World Wide Responsible Apparel Production) Certification which reflects Amtex's commitment towards a socially responsible corporate citizen by adhering to the WRAP principles.

- **Customer & Employee Satisfaction**

Amtex believes in customer and employees well being. The Company's bottom lines have grown over the years and this would not have been possible without customer & employee satisfaction, as the case is with any other organization.

Amtex has been at the forefront and has taken various initiatives for facilitating its customer. Unlike its competitors, Amtex facilitates its customer right from the point of Product inquiry and order placement till the time of order delivery. Furthermore Amtex also provides its clients after sales services to ensure optimum client satisfaction. The Company has charted internal policies for smooth customer facilitation for building a lasting relationship.

As employees play a pivotal role in Company's growth process, the Company has obtained SA 8000-2001 Certification which shows its commitment towards the employees. Being the largest Textile Mill of Faisalabad, Amtex believes in the provision of long term benefits to its employee .i.e. healthy work place environment, provision of technical training, which are crucial factor for employee retention and motivation.

- **IT Powered Backbone**

Amtex Limited has established high-tech IT infrastructure for facilitation of their customers. All these warehousing facilities are equipped with modern EDI systems, warehouse management and other pre-requisite of a modern warehouse that assist the Company to keep track of inventory levels at all times. This in turn helps the Company to honor their commitments well within time. Amtex also has an Online Tracking System that complements the overall Direct to Retail model. With state of the art IT infrastructure the buyer can have a real time view of its order status.

- **Additional Duty Drawback**

Under the proposed Textile Policy 2009-14 those entities who achieve an increase of 15% in exports relative to last year will be given a 1% additional duty drawback. Amtex with a CAGR in excess of 25% over last 4 years is a prime candidate for the proposed concessional scheme.

- **Valuation Attractiveness**

Amtex Limited is being offered to investors at a floor price of PkR 13 per share. Based on the FY10 EPS of PkR 5.17, the offer price presents a PE multiple of 2.5x. If compared with the

average composite sector multiple for the last 3 years of 8.15x, the fair value of AML share comes to PkR 42.16, which represents a significant discount of 69%.

Based on the FY10 BVPS of PkR 38.44, the offer price presents a P/BV multiple of 0.34x. When compared with the average composite sector multiple for the last 3 years of 0.51x, the fair value of AML share comes to PkR 19.60, which represents a discount of 34%.

Based on the DCF Methodology, the fair value of AML computes to PkR 37.67 per share, thus the Offer price of PkR 13 per share represents a discount of 65.48% on the DCF value.

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## 2. Indicative Term Sheet

The Transaction	Initial Public Offering of 61 million ordinary shares of Amtex Limited through the Book Building Process
Issuer	Amtex Limited
Transaction Structure	<p>IPO of 61 million ordinary shares of Amtex Limited</p> <ul style="list-style-type: none"> <li>- 42.7 million Ordinary (70% of the total issue size) shares are being issued through the Book Building Process to Financial Institutions and HNWI's</li> <li>- 18.3 million Ordinary shares (70% of the total issue size) are being issued to the general public subsequent to the Book Building phase</li> </ul>
Floor Price	PkR13.00 per Ordinary share
Par Value	PkR10.00 per Ordinary share
Lead Manager, Book Runner & Arranger	AKD Securities Limited
Legal Counsel	M/s Mohsin Tayebaly & Co
Listing	Karachi Stock Exchange Guarantee Limited
Book Building Underwriter	AKD Securities Limited
Expected Book Building date	3rd week of February 2010

## 3. The Company - Amtex Limited

### 3.1 Overview

Name	Amtex Limited
Head Office Address	P - 223 and 224, Tikka Gali No. 2, Yarn Market, Montgomery Bazar, Faisalabad.
Factory Address	1 Km, Khurrianwala, Jaranwala Road, Faisalabad.
Year of Establishment	1991
Nature of Business	Manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and other Textile made-ups
Corporate Status	Public Limited Company (Unquoted) - Going for Listing
Total Sales as of FY09	USD200 million

Amtex Limited was incorporated in Pakistan in 1991 as a Private Limited Company under the Companies Ordinance, 1984 and converted into a Public Limited Company with effect from March 20, 2007. The registered office of the Company is situated at P-225, Tikka Gali No. 2 Montgomery Bazar Faisalabad. The principal business of the Company is export of all kinds of Home Textiles, value added fabrics, Textile made ups, casual and fashion garments. The Company is also engaged in the business of manufacturing and sale of Yarn. The cloth processing unit and stitching units are located at Kharrianwala District Faisalabad. Spinning unit is located at Sheikhpura Road, Khurrianwala, District Faisalabad in the province of Punjab.

Amtex is a vertically integrated group with Operations in all sectors of the Textile Industry from Spinning to Weaving, Processing, Printing, Finishing, Cut and Sewn processes. Average annual turnover of the Company is around USD 200 mn. The Company has a diversified Product portfolio each dedicated towards different segments of the market. Amtex holds a special position in the Global Textile Industry in the sense that it provides the largest variety and combination of Products to its customers under one roof, a concept more familiarly known as *"One Stop Shop"*.

The Company enjoys position as one of the leaders of Pakistan Textile Industry. The core strength of Amtex lies in utilizing Pakistan's largest greige fabric manufacturing set up with over 5,000 looms producing 500,000 meters daily to cater for the immediate requirement of valued customers with minimum lead time providing Amtex an additional edge over its competitors.

Amtex being a vertically integrated unit comprises of the following segments and have the following machinery for each particular segment:

Line of Business	Machinery Particulars
Spinning	7/S to 120/S Yarn Counts
Weaving	Power, Auto, Shuttles, Air Jet and Water Jet Looms producing Dobbies, Jacquards and Seer Sucker Weave Patterns
Dyeing	Dyeing Machines include Monforts (Germany) fitted with KUSTER padder (Germany) and new pad steam / wash range from BENNINGER
Printing	Zimmer Printing Machines capable of Printing 21 colors of Fabric upto the width of 3,200 mm and variety of colors
Finishing	Stentering Machines from Monforts (Germany) with fully automatic controls
Embroidery	Computerized BARUDAN 20 head, 9 color machines

### 3.2 Business and Operations

Amtex is a vertically integrated unit engaged in segments of Textile Industry from Spinning to Stitching. The Company has increased emphasis on export sales in the post quota era realizing vast potential in export market. This is illustrative from Amtex's sales composition with export being the major contributor towards total revenue of the Company. Amtex's export destinations are mainly USA, Europe and Australia.

Amtex Research and Product Development (R&D) department has been a key factor in Amtex success. Amtex has a leading Product Development department at both national and regional level which is primarily responsible for giving Amtex the niche in developing innovative design/fabrics and excelling in value added Products. Amtex has the history of unprecedented YoY Revenue and Profitability growth. At Amtex, business orientation is heavily tilted towards direct dealing with Retailers instead of intermediaries/importers. The current exposure of the Company is 80% towards Retailers with remaining 20% being with intermediary.

Product Development department is responsible for developing innovative fabrics and value added Products like:

- Wrinkle free / Nano - tex finish Products
- Aloe Vera finish
- Vitamin E finish Products

- Bamboo Fibre
- Corn Fibre
- Lyocell Fibre
- Back Coated Fabric for Roman, Roller and Vertical Blinds
- Water Repellant Finish
- Jacquards
- Dobbies
- Special Weaves
- High Thread Count Sateens

The Company as a policy allocates a budget of 3% of annual sales turnover for Product research and development.

Quality Assurance Department is also an integral part of Operations. The Company has always emphasized on Quality. Quality is embedded into manufacturing processes of a finished Product to ensure minimal defect ratio. This is further complemented by extensive in-house quality and process control. Quality is assured at Amtex by using the latest technology and best available dyes and chemicals. The Company is honored to have best equipped QC laboratory in the region. Amtex has access to best QC technicians who are well experienced in assessing all new developments.

To further ensure Quality attained, the Company has a policy of validating the lab results from internationally accredited laboratories in the Far East.

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## 3.3 Product Range

Amtex sells its Products categorically under different heads namely, Home Textiles, Apparels and Fabrics.

Heads	Category	Products
Home Textile	Bed linen	<ul style="list-style-type: none"> <li>▪ Quilt Covers and Pillow Cases</li> <li>▪ Flat and Fitted Sheets</li> <li>▪ Comforter Shells and Shams</li> <li>▪ Mattress Covers</li> <li>▪ Valances and Bed Skirts</li> </ul>
	Kitchen Products	<ul style="list-style-type: none"> <li>▪ Runners</li> <li>▪ Place Mate</li> <li>▪ Tea Cozy</li> <li>▪ Aprons</li> <li>▪ Kitchen Bags</li> <li>▪ Pot Holders and Oven Gloves</li> <li>▪ Table Covers with Napkins</li> <li>▪ Printed Kitchen Tea Towels</li> <li>▪ Kitchen Curtains</li> </ul>
	Upholstery Range	<ul style="list-style-type: none"> <li>▪ Cushions and Neck Rolls</li> <li>▪ Grand Foulards and Throws</li> <li>▪ Chair and Sofa Covers</li> <li>▪ Iron Board Covers</li> </ul>
	Quilted Products	<ul style="list-style-type: none"> <li>▪ Bed Spreads</li> <li>▪ Comforters and Shams, Mattress Cover</li> <li>▪ Chair Pads and Seat Backs</li> <li>▪ Sleeping Bags, Bumper pads, Baby Quilts</li> </ul>
	Curtains	<ul style="list-style-type: none"> <li>▪ Rod Pocket Curtains</li> <li>▪ Comice / Plain Valances</li> <li>▪ Metal Ring / Eyelet Curtains</li> <li>▪ Tab Tops and Loop Curtains</li> <li>▪ Jabots Sels, Plemets and Scarts</li> <li>▪ Tape and (Pinch) Pleated Curtains</li> <li>▪ Folding Curtains and Roman Blinds</li> <li>▪ Tie Backs in various Confections</li> <li>▪ Shower Curtains</li> </ul>
Apparels		<ul style="list-style-type: none"> <li>▪ Bottom Wear</li> <li>▪ Sleep Wear</li> <li>▪ Work wear</li> <li>▪ Hospital wear and Scrub Sets Robes</li> <li>▪ Gowns and Embroidered Dresses</li> </ul>
Fabrics	Blends	<ul style="list-style-type: none"> <li>▪ 100% Cotton</li> <li>▪ 100% Polyester</li> <li>▪ Poly / Cotton</li> <li>▪ 100% Viscose</li> <li>▪ Poly / Viscose</li> </ul>

Category	Type	Products
Fabrics	Weaves	<ul style="list-style-type: none"> <li>▪ Cretonne</li> <li>▪ Rein Force</li> <li>▪ Percale (180-300 threads)</li> <li>▪ Satin (150-800 threads)</li> <li>▪ Twill</li> <li>▪ Drill</li> <li>▪ BFC</li> <li>▪ Canvas</li> <li>▪ Hi / Low BFC</li> <li>▪ Automen</li> <li>▪ Oxford</li> <li>▪ Fine Twills</li> <li>▪ Harring Bone</li> <li>▪ Novelty Weaves</li> </ul>
	Dyeing	<ul style="list-style-type: none"> <li>▪ Reactive</li> <li>▪ Disperse</li> <li>▪ Vat</li> <li>▪ Disperse Reactive</li> <li>▪ Disperse Vat</li> <li>▪</li> </ul>
	Printing	<ul style="list-style-type: none"> <li>▪ Pigment</li> <li>▪ Reactive</li> <li>▪ Disperse</li> <li>▪ Special Printing</li> </ul>
	Wet Processing	<ul style="list-style-type: none"> <li>▪ Stone Wash</li> <li>▪ Silicon Wash</li> <li>▪ Enzyme Wash</li> <li>▪ Bleach Wash</li> <li>▪ Sand Blasting</li> <li>▪ Spray</li> <li>▪ Moustache</li> <li>▪ Garment Wash</li> </ul>
	Finishing	<ul style="list-style-type: none"> <li>▪ Special Finishes</li> <li>▪ Fashion Trends</li> <li>▪ Special Effects</li> <li>▪ Fabric Protection</li> <li>▪ User Protection</li> <li>▪ Normal Finishes</li> </ul>
	Coating	<ul style="list-style-type: none"> <li>▪ Normal Coating</li> <li>▪ Special Coating</li> </ul>
	Flocking	<ul style="list-style-type: none"> <li>▪ Flock Pattern Printing</li> <li>▪ Velour / Flocked Fabrics</li> </ul>

### 3.4 Major Clients

With the Company's major revenue coming from exports, Amtex clientele base is mainly based abroad. The export clients are mainly in USA, Europe and Australia. The export clients of Amtex consist of mainly high profile Retailers in different regions of the world as the detail given below:

Market	Client's Name
USA	<ul style="list-style-type: none"> <li>▪ Bed Bath and Beyond</li> <li>▪ Linen and Things</li> <li>▪ JC Penny Corporation</li> <li>▪ Target Corporation</li> <li>▪ Sears Holding Corporation</li> <li>▪ Wal - Mart Stores</li> </ul>
Europe	<ul style="list-style-type: none"> <li>▪ Marks and Spencer</li> <li>▪ Next</li> <li>▪ Carefour</li> <li>▪ IKEA</li> </ul>
Australia	<ul style="list-style-type: none"> <li>▪ Logan and Mason</li> <li>▪ Pillow Talk</li> <li>▪ Myers</li> <li>▪ Target</li> </ul>

In addition to exporting directly to end Retailers, Amtex also exports to Design and Import Business Houses. These houses act as intermediaries between exporters and Retailer. These include companies such as Springs, Divatex, Arlee, Shllinsky, Natco, Red Cats, Amtex Europe, S. A Ferozen, Franco, Jay Franco and Situp T.V.

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## 3.5 Directors Profile

Following are the members of Board of Directors of Amtex as at 30<sup>th</sup> September, 2009:

- Mr. Khurram Iftikhar - Chief Executive Officer
- Mr. Nadeem Iftikhar - Director Marketing
- Mr. Shahzad Iftikhar - Director Operations

Amtex is a family owned business headed by Mr. Haji Iftikhar Uddin. He is supported by his son Mr. Khurram Iftikhar, Mr. Shahzad Iftikhar and Mr. Nadeem Iftikhar.

- **Mr. Khurram Iftikhar - Chief Executive Officer**

On completing his education from Kensington College of Business, London, Mr. Khurram started his career by joining the family business and has played pivotal role in developing and consolidating the export business of the Company. Considering his glorious service to his business, he has been awarded Gold Medal for “Businessman of the Year 2001-02”. Apart from contributing to his family business he has served in several organizations in various capacities.

Organization/Institution Type	Position
Business	<ul style="list-style-type: none"> <li>▪ CEO - Faisalabad Industrial Estate Development and Management Co.</li> <li>▪ Chairman Pakistan Textile exporters Association</li> <li>▪ Chairman export Processing Zone Trust, Faisalabad (EPZTF)</li> <li>▪ Chairman Khurrianwala Industrial Estate Association (KIEA)</li> </ul>
Educational	<ul style="list-style-type: none"> <li>▪ Chairman Faisalabad Institute of Textile and Fashion Design Trust</li> <li>▪ Member - Syndicate of the Government College University, Faisalabad</li> <li>▪ Member - Board of Governors, National Textile University, Faisalabad</li> <li>▪ Member - Executive Committee of the Pakistan School of Fashion Design</li> </ul>
Social	<ul style="list-style-type: none"> <li>▪ Chief - Citizens Police Liaison Committee, Faisalabad</li> <li>▪ Member - General Body Punjab Municipal Development Fund Company</li> </ul>

- **Mr. Nadeem Iftikhar - Director Marketing**

Mr. Nadeem Iftikhar spearheads the marketing division of the Company. Over the years, Amtex has made its presence felt in every corner of the Global market courtesy of pro-active marketing strategies initiated by the Company under the leadership and the vision of its Senior Management. After completing education, Mr. Nadeem decided to head the marketing team of Amtex and has achieved many milestones in introducing and developing the Product range of Amtex. He has been responsible for exploring new international markets and has played a pivotal role in establishing Amtex name as one of the best garment manufacturing units in the country.

- **Mr. Shahzad Iftikhar - Director Operations**

After completing his MBA, Mr. Shahzad Iftikhar has played role of an anchor person in strengthening Company's Operations. Mr. Shahzad is responsible for all the Operations of the Company ranging from Spinning, Weaving, Processing and Value addition activities. Mr. Shahzad is also responsible for ensuring that the Company stays abreast of the latest technology not just by updating existing Plant and Machinery but also introducing latest technology of industrial engineering.

### 3.6 Key Management Profile

The following is the profile for the Key Management:

- **Mr. Zeeshan Abid - Chief Financial Officer**

Mr. Zeeshan Abid has 8 years of post qualification experience of Corporate finance advisory, financial control and internal audit. He has extensive professional experience of progressively responsible management positions in mainly manufacturing Industry and professional services in a chartered accountant firm. He has performed a wide range of functions from grass root to senior management level including day to day accounting & financial matters, business development, financial planning, budgeting & forecasting, internal audit, treasury, corporate finance, handling taxation, secretarial, insurance and litigation matters, dealing with regulatory authorities, management consultancy. He joined Amtex Group in 2002 at the position of Finance Manager and worked in different capacities.

Mr. Zeeshan Abid is an Associate member of Institute of Chartered Accountants of Pakistan (ICAP) and a fellow member of the Pakistan Institute of Public Finance Accountants (PIPFA) and Masters in Commerce.

- **Mr. Faisal Mirza - Executive Director Marketing**

Mr. Faisal is working in Textile and Apparel Industry for the last 20 years on national and regional level at leading management positions. His professional diversified expertise and business acumen in sales and marketing is known at both national and international level. Mr Mirza is a MBA with specialization in marketing that enabled him to further sharpen his skills through extensive professional training and coaching in leadership and business management with different International Corporation over 15 years.

Mr. Faisal was associated for 10 years with 150 years old world renowned multinational Company "Levi Strauss & Co." where not only he enjoyed progressive career growth managing national level hemisphere position of Operation as well as won numerous business and professional awards in recognition to his achievements in working with regional and corporate offices. He has also been associated with global renowned wholesalers and Retailers like Nike, Haggar, Tommy Hilfiger, JCPenney, Wal-Mart, and has served in various Key management positions country wide and regional level covering South east Asia and Middle East.

Mr. Faisal joined Amtex Limited 6 years back and the Company has witnessed exponential growth levels since then. Amtex taking full advantage of post quota scenario by reaching out in the Global key markets through diversifying Product mix, developing competitive advantage for the Company in competition to national, regional and Global suppliers via direct point of sales, putting on front innovative Products with distinctive and cost competitive supply chain solutions for valued clients. He is also responsible for "One Stop Shop" inspiration for clients by maximizing global & regional market access with enhanced Product offerings in economies of scale for enhancing business revenues while changing altogether Company business reliability from import house based to direct point of sale "Retailers" across Europe, Australia and North American Markets. Mr. Faisal continuous strive and go-getting approach in developing new emerging markets (like South Africa, Latin America and Russia etc) has also started showing prosperous results in sales increase and revenue generation.

- **Mr. Yahya Ahson Baig - Senior General Manager Marketing**

After completing Master's In Business Management from King's College London, University of London he joined the Textile Industry in 1991.

Mr. Yahya has 18 years experience of Textile Industry. He joined Amtex in February 2006 as GM Marketing and at present working as Senior GM Marketing. Mr Yahya has vast Product knowledge and insight of the International market. He has been successfully promoting Company's sales both in US and European markets. Mr Yahya's current portfolio includes four major Retailers of the world namely JC Penney, Carrefour, Marks & Spencer and El Corte Ingles. He also headed Operations of AMTEX Europe GMBH, Germany for more than two years.

He is a pivotal team member and has been responsible for establishing Company's Show Room/ Office in New York to enhance Sales and exposure of the Company. This enabled Amtex to have direct access to the major Retailers of the US market by sharing Product Innovation and new design concepts at their door steps.

- **Mr. Yunis Javaid - Director Procurement**

Mr. Yunis is a seasoned professional with over 40 years of progressive experience in field of administration, Industrial Management, Procurement and Training. He possesses extensive exposure of procurement and industrial management. Being an ex Army officer and with an experience of field and staff appointments, he has demonstrated outstanding degree of professionalism reliability and initiative. His career exhibits a record of strong achievements and significant contributions for the organizations.

A post graduate in Economics from Punjab University, a strict financial disciplinarian, Mr. Yunis is a specialist of contract administration. He is responsible for providing cost estimates for equipping new or existing facilities. As strong negotiator, he worked with General Motors of USA, Siemens, Daimler Benz of Germany and Savaim of France.

- **Mr. Sajjad Rashid Khan - Sr. General Manager Production**

Mr. Sajjad is highly skilled and experienced management professional with more than 17 years experience in Business Operations & Management, Manufacturing, Business process improvement, Warehouse/distribution design, and logistics. He is a specialist in the system management using ERP software's like SAP and ORACLE with practical experience of implementing lean manufacturing, SIX SIGMA, KPI techniques and methodology like Just in Time. As a professional Mr. Sajjad demonstrate a track record of strong achievement at national and international levels.

He is an MBA in Financial Management, BA Industrial Management and Masters of Commerce with proven track record for delivering projects on time. He also has International/ European working experience of distribution networks, Project management for logistics & Supply Chain areas for Tran's Atlantics markets as well. He is an effective Project Manager capable of coordinating resources to achieve targets and meeting deadline.

- **Mr. Tanzeem Akhtar - General Manager (Made-ups)**

Mr. Tanzeem Akhtar has done his graduation from a local university. A result oriented professional with nearly 25 years of experience in Project Implementation, Execution, Operations, and Production & Quality Adherence. Mr. Tanzeem has technically demonstrated ability in working on initiatives, thereby bringing down equipment breakdown & achieving annual costs savings. He is an effective communicator with excellent relationship, strong management analytical and skills, problem solving and organizational abilities.

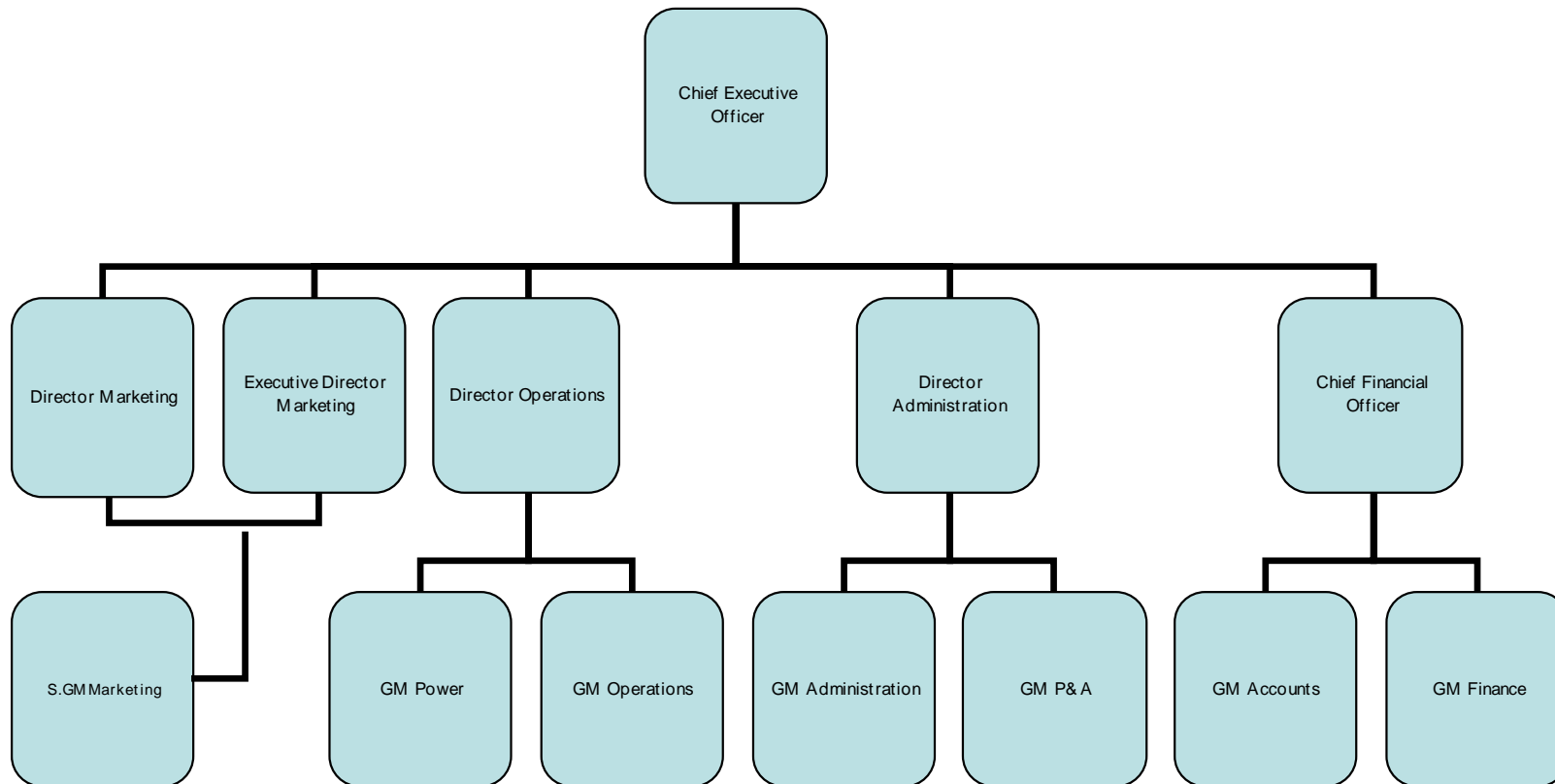
He is responsible for handling activities involving working out on various requirements & monitoring overall Production Operations. He is also responsible for monitoring the activity at sites and reviewing project schedule, ensuring cost control within budget, planning for cash flow requirements, etc. He also ensures mapping the customers' complaints and following up with design, research and development, Assembly, Production planning, material planning, purchase, Product development and sales departments to eliminate those complaints in the future.

- Mr. Siddique Raza - General Manager P & A.

Mr. Siddique has 25 years of experience. Mr Siddque is L.L. B, D.I.L.L and D. P. A. I. R. He is the responsible for all Personnel and Administrative activities i.e. formulation and implementation of HR policies, identifying manpower requirements, Organize recruitment, induction and retention of right talent. He is also responsible for Identifying training needs and skill up-gradation. He also liaises with regulatory authorities and also handles contractor related issues.

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## 3.7 Organizational Chart



## 3.8 Milestone achieved

Over the years, Amtex has multiple success stories driven from its dynamic growth in the area of Home fashion Products. The Company caters to the world's leading retail chains comprising top sellers from America to Europe, Australia to Africa which have allowed Amtex to sustain double digit portfolio growth. Amtex has made Industry benchmarks by shaping the outlook of Home Textiles through dynamic business strategy in both manufacturing and servicing.

Successful conversion of seasonal Product manufacturing to in-line full year business program cycle has been a great milestone bringing in stability to Product manufacturing cost, continuity in financial forecast and Outlook thus aiding future research and development efforts. This proactive strategy has not only helped improve business value addition but has also provided multifold benefits to the Retailers - valuable reduction in Product lead time, convenient availability of merchandise with 99% sell through and significant reduction in Operational costs by trimming down unnecessary and hefty layers of supply chain using cutting edge modernized tools of direct import, Direct to Store and domestic services. The following table provide milestone achieved by the Company in chronological order:

Year	Milestone Achieved
1991	<ul style="list-style-type: none"> <li>Year of Incorporation</li> </ul>
2000	<ul style="list-style-type: none"> <li>Year when Amtex crossed PkR1 billion mark in Sales</li> </ul>
2001	<ul style="list-style-type: none"> <li>Received Shield from Pakistan Chamber Of Commerce &amp; Industry for attaining PkR 450 million export of Cotton Fabric</li> </ul>
2002	<ul style="list-style-type: none"> <li>Received Shield from all Pakistan Cloth exporters Association for the year 2002-03.</li> </ul>
2003	<ul style="list-style-type: none"> <li>Received shield for valuable support in Industrial Exhibition &amp; Technology Fair ( IETF)</li> </ul>
2006	<ul style="list-style-type: none"> <li>Year when DTR was implemented</li> </ul>
2007	<ul style="list-style-type: none"> <li>Year of Conversion from Pvt into Public</li> <li>Received shield from Trade Development Authority of Pakistan for XPO Pakistan</li> <li>Received ISO 9001 Certificate</li> <li>Received ISO 14001 Certificate</li> </ul>
2008	<ul style="list-style-type: none"> <li>Year when Amtex crossed PkR10 billion mark in Sales.</li> <li>Received WRAP certificate</li> </ul>
2009	<ul style="list-style-type: none"> <li>Year when Highest export Trophy award is given to Amtex.</li> <li>Received SA 8000 Certificate</li> <li>Received FLO-Cert Certificate</li> <li>Received Oeko Tex Certificate</li> </ul>

## 3.9 Management Philosophy

Amtex has a core philosophy of providing best quality to its customers with a high value for money. As the world is becoming a global village and customers becoming ever more quality conscious, it is critical not only to sustain quality but to strive for further perfection to ensure customer gets value for money. Sustaining high level quality is the pre-dominant criteria in every value added activities initiated at Amtex where aim is not just to be at par with the expectations of the consumer but to exceed these expectations by achieving excellence in quality which is synonymous with Amtex slogan of being the "*Textile Expert*".

Amtex has optimized all its value added activities with the help of its technical & professional talent pool across the board in all areas of manufacturing i.e. from raw material procurement to customer service. Amtex management priorities and strategies are designed keeping in view its philosophy of staying ahead of the competition to ensure guaranteed business growth in its existing market while at the same time developing new markets and enhancing business portfolio.

At Amtex, focus has always been on developing Innovative Products, cost competitive manufacturing methodologies and quicker supply chain solutions. Amtex's aim is to become "*One stop shop for valued customers around the world*".

## 3.10 Marketing Strategy

Amtex marketing department with diligent focus and commitment have been successful in revitalizing "*Direct Point of Sales Strategy*" to major international Retailers during the last 5 years. Amtex research department with its unique designs contributes significantly from the perspective of Product conceptualization to final Product design and have been pivotal in maintaining brand competitiveness and bringing additional revenues for the stakeholders.

This radical change of approaching the major international Retailers directly as part of "*Direct Point of Sales Strategy*" has significantly leveraged Amtex's leading domestic position and has given it an unprecedented edge over its competitors. This strategy has not only firmed up the response time to changing taste of the customers but has also substantially increased margins of Amtex by eliminating intermediaries.

Innovation has been the most significant contributing factor in shaping the face of Home Textiles. Amtex is the proud forerunner of introducing innovative fabrics which has significantly enhanced value of household items. These innovative technologies have provided the breakthrough in opening new avenues in the field of Home Textiles by enabling consumers to enjoy the performance, wellness and energy saving features of Products while providing value for money at the same time.

Amtex does not limit its versatile approach to its core Product but has taken a step forward by contributing responsibly towards the important issue of healthy environment sustainability by joining hands with vendors in supporting environment and nature friendly packaging. Closeness to the customer and the feel of empathy is a ground reality in the success of today's business. Amtex has empowered its key executives with the necessary resources to achieve the ultimate objective of customer satisfaction.

## 3.11 SWOT Analysis

### ▪ Strengths

- Renowned and one of the leading Business groups of Faisalabad
- One of the largest vertically integrated Textile entities in the country
- Highest Textile Exporter for the year 2008-09
- Successfully operating on a Direct to Retail model
- Economies of scale due to massive Operations
- Competent, experienced management
- Strong Corporate governance practices
- Online monitoring of shipments
- No middlemen involved in business model
- Dynamic business vision and well planned strategy in place for successful business model
- One of the largest Textile exporters
- Developed brands & renowned clientele base
- Deep market penetration across the globe
- Strong Outsourcing capability
- On going technology up gradation with prime focus on research and development
- Certifications

### ▪ Weaknesses

- Dependent on vendors for outsourcing arrangement
- Intensive cash requirement for working capital due to high inventory levels
- Non availability of skilled middle management

### ▪ Opportunities

- Further expansion of Operations in the value chain, i.e. forward or backward integration
- Invest in new line within the Textile sector
- Explore new target markets
- Increase penetration in existing markets
- GSP Plus system to boost exports
- Further develop partnering arrangement with global clientele

- Threats

- Declining market share of Pakistan due to regional competition
- New international laws affecting local Textile sector
- Lack of availability of quality raw materials
- Rising input costs threatening competitive pricing for Products
- To keep the sector abreast with latest technology

### 3.12 Future Plans

Amtex future aim is to sustain competitiveness in servicing Global retail customer base while expanding on value added export oriented manufacturing Operations. Amtex strives for continuous pursuit in achieving innovative business solutions. This has translated into increased margin enhancing return on investments for group stakeholders over the years and should do so in the future.

Maintaining focus and commitment in balancing, modernization and value addition activities has been the philosophy of the Company. Amtex aims at developing synergies by keeping abreast with their strong vendor base and establishing partnerships with them so as to increase the Product portfolio as well as to have the flexibility to react to the dynamics of ever demanding growing parameters of market and global business.

This requires vision and deep rooted awareness and successful dissemination of the plan down to the lowest possible hierarchy so as to make each and everyone a contributing factor towards the ultimate success. An orientation of this vision has already been initiated with the launch of vendor city in close proximity to processing units while off shore supply chain management and logistics has been strengthened to maximize returns.

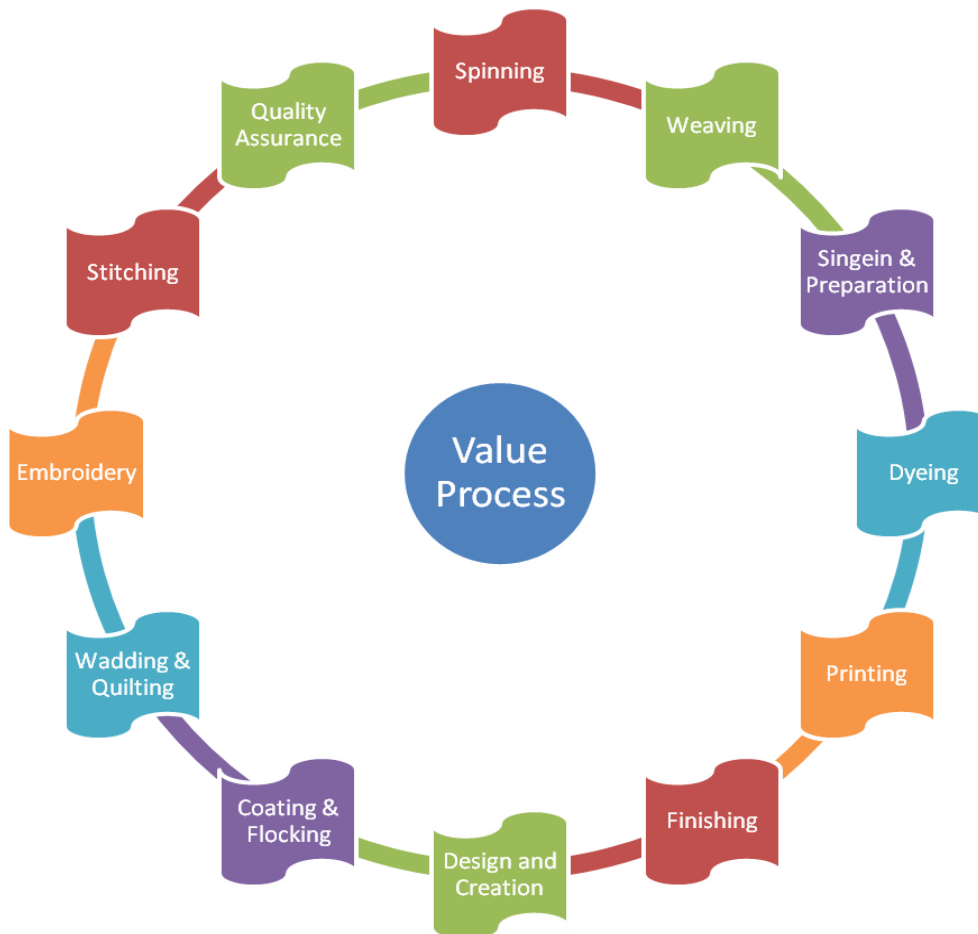
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## 4. The Company - Value Proposition

Amtex has been able to make a mark for its Product due to its smart management. Unlike other local players, Amtex philosophy has been on value added Products instead of focusing on low margin Products.

To augment vision of the Company further, Amtex has geared itself with the most up-to date modern plant and machinery along-with adoption of best management practices through benchmarking itself against best Industry practices to ensure that the Company delivers high quality Products in conformity with international standards.

The following highlights value added processes that takes place in Amtex:



## 4.1 Value Added Processes

At every stage of processing various value added processes are carried out to ensure that the Company delivers value for money to its customer and meet their stringent requirement. A strong Research and Development coupled with stringent Quality Control Department has helped Amtex become a leading Textile export House. Following are the value added processes undertaken by Amtex:

### Spinning

Amtex Limited has state of the art spinning facilities covering the complete sphere of Yarn manufacturing including ultramodern automated setup with high speed ring frames. Amtex's automated Spinning facility is the most modern in the region and comprises of more than 60,000 Spindles.

The Company has installed facilities to produce carded as well as combed Yarn. The flexibility of in house machinery results in manufacturing of Yarn counts from 7s to 120s with high uniformity, evenness and low IPI's which is reflected in Company's woven Products.

As Amtex has always focused on being a producer of value added products, Yarn manufacturing has remained a small pie of the overall revenue. The Company has two Spindle units. The first unit has 40,960 installed Spindles whereas the second unit has 16,128 installed Spindles. The first unit produces approximately 1,100,000 kg of cloth per month whereas the second unit produces approximately 500,000 kg of cloth per month. The utilization of spinning segment is currently 100%. Thw following table provides machine specification installed in the Spinning facility.

#### AMTEX LIMITED - SPINNING UNIT I

Description	Make & Model	Country	No. of Units	Supplier	New/Old	Utilization
Blow Room	2002	China & Switzerland	-	Rieter Machine Works Limited	New	100%
Card Section	C-51	Switzerland	16	Do	New	100%
Drawing Section	-	Switzerland	20	Do	New	100%
Comber	2002	-	-	Do	Old	100%
Lap former	E-32	Switzerland	1	Do	New	100%
Simplex Section	FA-415A	China	5	JIANGSU	New	100%
Ring Section (10 frames with 1000 Spindles)	Type 8R2	Japan	10,000	Toyota Tsusho Corp.	New	100%
Ring (20 frames with 516 spindles each)	F-1520	China	10,320	JINGWEI	New	100%
Ring (20 frames with 516 spindles each)	DTM-129	China	10,320	DONGTAI	New	100%
Auto coner	C-21	Japan	7	MURATEC	Old	100%
Compressor	Llegro-15	Germany	1	ALUP	New	100%
Compressor	Opus-75	Germany	1	ALUP	New	100%
Electrical Panel	---	Pakistan	1	SIEMENS	New	100%
Air Conditioning Plants	2002	Pak, China & Finland	-	Cone Air & Abb	New	100%
Spindle oiling machine	AU 521 F	China	1	XIANGTAN	Old	100%
Wire Mounting Machine	2005	China	-	WUXI - LIDA	New	100%
Yarn condition machine	67466	Germany	1	WELKER	New	100%
Gas generator (1034 KW)	JGS-320	Austria	4	JENBACHER	Old	100%
Gas generator (1095 KW)	JGS-320	Austria	2	JENBACHER	Old	100%
Ring (20 frames with 516 spindles each)	DTM-129	China	10,320	DONGTAI	New	100%

## AMTEX LIMITED - SPINNING UNIT II

Description	Make & Model	Country	No. of Units	Supplier	New/Old	Utilization
Blow Room	1994/95	Switzerland	10	Rieter & Itochu Corp.	New	100%
Card Section	C-50	Canada	20	Rieter	New	100%
Drawing Section	SB-2	Switzerland		Rieter	New	100%
Simplex Section	F-5D	SZland	4	Rieter	New	100%
Ring Section (16 frames with 1008 frames each)	G-30	Switzerland, German	16,128	Rieter, Schlasforst, Uster	New	100%
Laboratory Equipment	-	-	-	Uster, An Technologies	New	100%
Air Conditioning Plants	2004/05	Pakistan	-	Cone Air	New	100%
Baling Press System	1994	Switzerland	3	Rieter	New	100%
Electrical Panel	-	Pakistan	-	Pakistan Cables	New	100%

### ▪ Weaving

Amtex has an extensive Weaving set up having variety of machines including Power, Auto, Shuttles, Air jet and Water jet looms which produces an enormous variety of fabrics having multiple weaves from 1/1 plain weave to jacquard in different widths ranging from 36 inch to 153 inch with maximum thread count of 1,400 threads per square inch.

The weaving division comprises of almost 1,500 in-house looms and 3,500 out-sourced looms which are managed and run by the Company's own staff, bringing the total number of looms to around 5,000. These looms are fully equipped with various kinds of secondary and auxiliary equipments to produce Dobbies, Jacquards and Seer sucker weave patterns.

To cater to the on-going customer demands, Amtex also imports huge quantity of grey cloth from various suppliers located in Middle East, South America, China and some other countries in order to meet the bulk requirements for its value added Products.

A team of competent, experienced and skilled professionals including Textile and mechanical engineers run the weaving division. The Company has a large stock of greige fabric and maintains an inventory of 15 to 20 million meters fabric for its regular customers. The fabric is prepared under comprehensive quality control parameters based on *"Four Points Inspection System"*. It starts right from raw material procurement and continues till the end Product processing. The prime objective is to provide quality Product and to ensure prompt delivery.

The following table provides detail about the machines being used in the Weaving unit:

AMTEX WEAVING UNIT MACHINERY	SUPPLIER	NEW / OLD	UNITS INSTALLED	INSTALLED CAPACITY	UTILIZATION	USEFUL LIFE (Yrs)	AGEING (Yrs)
<b>WEAVING UNIT</b>							
Shuttle less loom TW-11	ROOMI IMPEX KARACHI	NEW	185	250RPM	80-90%	15	5
Compressor air cool type	DO	NEW	2	, Stroke in 5, Pressure 100 kg/cm2 RPM 900	80-90%	15	5
Air Conditioner	DO	NEW	2		80-90%	15	5
Shuttle less loom TW-11	ADREES BHAI KARACHI	NEW	106	250RPM	80-90%	15	6
Compressor	DO	NEW	1	Stroke in 5, Pressure 100 kg/cm2 RPM 900	80-90%	15	6
Air Conditioner	DO	NEW	2		80-90%	15	5
Shuttle less loom TW-11	MUNAF BHAI KARACHI	NEW	214	230 RPM	80-90%	15	7
Verdol Jaquard, 1344 Hooks	DO	NEW	100	1344 Hooks	80-90%	15	7
Air Compressor	DO	NEW	2	Stroke in 6.5; Pres. 80 kg/cm2; RPM 600	80-90%	15	7
Auto loom	RASHID AND SONS	NEW	90	150 RPM	80-90%	15	6
Jaquard	DO	NEW	45	1344 Hooks	80-90%	15	6
Air Compressor	DO	NEW	1	Stroke in 6.5; Pres. 80 kg/cm2; RPM 600	80-90%	15	7
Shuttle less loom TW-11	ADREES BHAI, KHI	NEW	135	240 RPM	80-90%	15	6
Air Compressor	DO	NEW	1	Stroke in 6.5; Pres. 80 kg/cm2; RPM 600	80-90%	15	7
Sizing machine, Zell Beninger	NAJEEB AND SONS, KHI	OLD	1	300 BAGS	80-90%	10	5
Warping machine, Zell Beninger	Do	OLD	2	300 BAGS	80-90%	10	5
Sizing Machine	Do	OLD	1	200 BAGS	80-90%	12	6
Boiler marine type fire tube	Do	OLD	1	4.5 TONS	80-90%	15	4
16 Spindle rewinder	AMJAD AND SONS	NEW	1	100 BAGS	80-90%	10	5
Silky warping machine	RASHID AND SONS	NEW	1	500	80-90%	10	5
Folding machine 130" to 153"	Do	NEW	1	160"	80-90%	10	5
Folding screens	Do	NEW	1	160"	80-90%	10	5
Generator, Capacity 960 KWW	ALLIED ENGINEERING	NEW	1	960KWW	80-90%	10	6
Shutter Less Looms	ADREES BHAI KARACHI	NEW	598	250RPM	80-90%	15	6
AC Plant Fan	ADREES BHAI KARACHI	NEW	1	500 PRESSUE	80-90%	15	5
Folding Machine	RASHID AND SONS	NEW	1	160"	80-90%	10	5
Inspection Machine	Do	NEW	1	160"	80-90%	10	5
Inspection Table	Do	NEW	1	160"	80-90%	10	5
Bailing press Machine	Do	NEW	1	160"	80-90%	10	5
Weighing Scale	ZAHID ENGINEER		1	500KG	80-90%	10	5
AC Plants	ADREES BHAI KARACHI	NEW	1	500 PRESSUE	80-90%	15	5
Head Traveling Crane	Do	NEW	1	1 TON	80-90%	15	5
Gas Generator	ALLIED ENGINEERING	NEW	1	1000KWW	80-90%	10	6
Diesel Generator	Do	NEW	1	250KVA	80-90%	10	6
Electrical Control Panel	ARSHAD AND SONS	NEW	1	As per Capacity Utilization	80-90%	10	6
Beam Lifter	Do	NEW	1	As per Capacity Utilization	80-90%	10	6
Cone Winder	Do	NEW	1	As per Capacity Utilization	80-90%	10	6
Water Turbine	Do	NEW	1	As per Capacity Utilization	80-90%	10	6

## ▪ Singeing & Preparation

Singeing is an initial process which is required for enhancing the fabric quality. Singeing of fabrics improve the moisture level which results in better dyeing characteristics, superior reflection & appearance, even surface, finer printing and enhanced visibility of the fabric structure.

Amtex has procured modern singeing machines from Vollenweider and Osthoff. They are the one of the best and most efficient machinery available for singeing. Amtex has also installed the latest wide width continuous bleaching rang from Goller with fully computerized PLC Chemical Dosing System. This state of art machine has been procured from Germany.

- **Dyeing**

The dyeing Operations of Amtex are equipped with the most sophisticated dyeing machinery. Amtex has wide width thermasol range from Monforts fitted with Kuster paddler. These machines have been procured from Germany, one of the leading Textile machinery manufacturing Country. Amtex has also procured dyeing machinery from Benninger, another renowned name in the pool of Textile machinery vendors.

Machines are just part of the process for making dyeing a successful and creative process. Besides these, the procurement team is very careful in selection of chemicals and additives to be used in the entire process. The quality assurance team is involved in each process to ensure that most suitable dyestuffs are applied in the process. The whole process is closely monitored to maintain highest quality standard in the dyeing process.

- **Printing**

Being a premier export house, Amtex has one of the finest printing facilities with state of the art printing machine .i.e. Zimmer printing machines, the recent one installed with wide width flat bed panel printing system "Magnoprint Trandline" which can print repeats up-to 3,500 mm. The printing facility is capable of printing 21 colors on fabric up-to a width of 3,200 mm, and repeat sizes ranging from 641 mm to 1,200 mm. The Company has one of the largest printing facility compared amongst peer companies both on local and regional level.

The machines coupled with wax jet and conventional engraving ensures that Amtex achieve the finest and most sophisticated designs on a wide range of fabrics. The sampling department, being a integral part of Printing facility, has fresh ink-jet printers in addition to sampling tables, allowing very rapid translation of designs from the "original concept" on to fabrics. This is one of the core strengths of Amtex that allows it to differentiate and make a mark on its Retailer base.

R&D is aggressively involved in blending creative ideas and concepts to widen range of Amtex's printing styles including pigment and reactive colors. The R&D is also actively gaining grounds in specialties such as "Glow in the Dark", "Panel Prints", "Puff/Foam Print" and "Burn-out", the new printing techniques in Textile sector.

Amtex has also procured brand new automatic color kitchen ranges "Thermo Electronica", from Italy which ensures excellent re-Product ability from run to run and exceptional consistency within runs.

- **Finishing**

Amtex has wide ranging stentering machines procured from Monforts, Germany. These are equipped with fully automated controls and can be utilized for batching and finishing of fabrics having Mahlo Weft Straighter at entry and exit points to avoid bowing and skewness. The

machines are equipped with infra-red technology which helps in pigment dyeing in pastel and medium shades. Amtex has extensive Calendaring equipment including the latest Ramisch Kleinewefer with “*Nipco Bowls*”, wide width Sanforising machines and Xetma combined Peaching/Raising machines from Germany.

- **Design & Creation**

Amtex has an in-house design studio with the responsibility for procuring and generating designs for various markets under the guidance of international professionals. Amtex regularly receives input from Western Europe, Australia and the USA regarding the prevailing international fashion trends. This allows Amtex to stay competitive in the global markets and provide cutting edge design and styling. Amtex has also facilitated its clientele to view its online design library. Amtex has the facility of most modern fabric plotter that can readily print various designs on fabrics without making screens just to provide their valued clientele with actual look of design on the fabric.

- **Coating & Flocking**

Amtex has state of the art vertically integrated setup with unmatched process that is one of its core strengths. Amtex has installed 280cm wide Coating and Flocking Line procured from Aigle, Italian Textile machinery experts. This facility allows Amtex to experiment and produce a variety of special finishes including thermal backing, blackout, water repellent, fire retardant and heat resistant aluminum coating for iron board covers, as well as velour “*Flocked Fabrics*”

- **Wadding & Quilting**

Amtex has installed a special wadding line that gives it an edge over other suppliers of quilted Products. Due to different stream lined processes, including sandwich carding, the Products retain their original shape. Even vacuum packing or long time storage does not affect the quality of Products.

The combined “in-house” high speed quilting machines and wadding facility assists in ensuring high quality maintenance of Products and prompt deliveries.

- **Embroidery**

Like other facilitated sections, the embroidery division is also equipped with in house computerized Barudan 20 head, 9 color machines that allows the Production facility to rapidly translate designs onto fabrics, guaranteeing prompt quality work with finest finish. Amtex has also employed seasoned creative team, who deploy their creativity and concepts to create some of the finest work pieces of embroidery.

- **Stitching**

The stitching facility at Amtex comprises of 14 modern units having more than 1,400 latest stitching machines equipped with various tools to produce a diversified Product range. All the stitching machines are specialized and automated, having varied customized sequences that can be altered with varying Products to achieve finest finishing. Each stitching unit is designed to achieve the optimum Production efficiency and highest level of quality standard.

Amtex is in the process of deploying state of the art eaton system and reverse Production tracking that will allow the facility to track each and every Operation done on the Product ensuring that customers gets high quality end Products.

- **Quality Assurance**

Amtex has been operating as *"One Stop Shop"*, providing a wide range of Products, from various Textile segments. The idea is to provide convenience to the valued customers.

A comprehensive Quality Control & Assurance System is working continuously for monitoring, controlling and assuring the quality of end Products. Various inspection parameters in cutting, stitching, washing, finishing and packing facilitate Amtex to maintain highest quality standard according to customer's requirements.

Amtex takes great pride that not only is the quality of the Product ensured and confirmed at each stage but stringent quality check is being carried out before end Product is approved for packing. Amtex has deployed intelligent use of most up to date technology including modern machinery and use best available dyes and chemicals. Amtex has the best equipped Quality Control laboratory in the region that is comparable to international standards at any level.

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The details of machinery installed in the value added processing unit are given below along with their installed capacity, utilization, aging and its useful life in years.

AMTEX LIMITED - VALUE ADDED PROCESSING UNIT I

S No	Name of Machine	Specification/Model	WIDTH	Units Installed	Installed Capacity	Utilization	Useful life	Ageing	Workers Involved
1	Arioli Curing Machine	BJ 1993	130 inches	1	25-30 k	100%	12		6
2	Curing Machine # 2	Pak Made	116 inches	1	45-50 k	100%	10		6
3	Curing Machine # 1	Pak made	110 inches	1	45-50k	100%	10		6
4	Monfort Stenter - 7 chamber	Montex 5000 Germany	132 inches	1	70-80k	100%	10		12
5	Calandar # 1	Japan Made	118 inches	1	45-50k	95%	10		6
6	Calander # 2	Pak made	114 inches	1	45-50k	95%	10		6
7	Ramesh Calander	L-Type Germany	122 inches	1	45-50k	100%	10		6
8	Flat Bed Zimmer	2004 Austria	126 inches width 12 Colors Repeat Size 133 inches	1	15-20k	100%	12		20
9	Flat Bed Engraving	Zimmer Austria CST-DLE. (2005)		1		100%	12		15
10	Babcock Stenter 6 Chamber	Babcock, Germany	116 inches	1	50-60k	100%	12		12
11	Termoelettronica Automatic Color Kitchen	(Italian) 22colors with 4 auxiliaries + 4 Thickeners lines with sampling head of 72 positions.		1		100%	12		4
12	J- Zimmer Sampling Rotary	BJ 1998 Austria	110 inches	1		100%	10		8
13	Sitara Engineering Sampling Rotary	Pak Made	110 inches	1		100%	10	8	
14	J-Zimmer Rotary	21 colors Mod RSD 589 BJ 2001 Austria	126 inches	1	40-50k	100%	12	7	22
16	J-Zimmer Rotary	15 colors RSD-648 BJ 2004- Austria	124.75 inches	1	40-50k	100%	12	8	22
17	Singing Machine	Vollen-Weider type Skb BJ 1983 Germany	120 inches	1	80-100k	100%	12	7	15
18	Kier Bleaching	Pak Made	4 ton	1	25-30k	100%	10	8	8
19	Rope Washing	Pak Made	4 Feet	1	25-30k	98%	10		7
20	Drying Water mangle	Benninger (24 cylinders)	125 inches	1	25-30k	97%	10		4
21	Steam Boiler No 1	Maxicon	5420 Sq Ft	1		100%	10		3
22	Steam Boiler No 2	Babcock	7230 Sq Ft	1		100%	12		3
23	RO Plant	Sever	50 tons/hour	1		100%	10		4
24	Folding	Pak Made	110-132 inches	5		100%	12		15
26	Rolling & Inspection machine	Pak made	130 inches	7		100%	10		35
27	Bailing Press	Pak made		1		98%	15		8
28	Wax jet	China	3050 mm	1		100%	10		3
29	Wax jet	China	3500mm	1		100%	10		3
30	Engraving -exposing	Pak made	2990 mm	2		100%	12		4
31	Engraving Jet Master	Pak Made Ink Jet	3500 mm	1		100%	15		6
32	Stenter - 7 Chamber	Shanghai Montex(China)	134 inch	1	50-60k	100%	10		12
33	Stenter - 8 Chamber	SHANDONG M-500(2004) (China)	134 inch	1	60-70k	100%	10		12
34	Benninger Bleaching Plant	Switzer Land 1997	134 inch	1	80-40k	95%	10		12

## AMTEX LIMITED - VALUE ADDED PROCESSING UNIT I

S No	Name of Machine	Specification/Model	WIDTH	Units Installed	Installed Capacity	Utilization	Useful life	Ageing	Workers Involved
1	Osthof Singe timeframe	Bj-2002 Mod-Vp99, 6663 Germany	126 inches	1	80-40k	100%	11	8	8
2	Goller Bleaching Plant	Machine-NR-9658 Bj-2001 Germany	128 inches	1	100-125k	100%	10		12
3	Mercerise Benninger	Ben-Extracta-7909-Switzer Land 1994	116 inches	1	35-40k	98%	12		13
4	Babcock Stenter-10 chamber	Typ-5880, Bj-1989 Germany	122 inches	1	70-80k	100%	10		12
5	Monforts Thermosol	Mod- EUA Kombi Machine-NR-62170208 Bj-2001 Germany	120 inches	1	35-40k	100%	10		10
6	Sanforizing Machine	Monforts	100 inches	1	30-35k	90%	10		6
7	Benninger pad Steam	Bj-2002	126 inches	1	35-40k	100%	10		12
8	Monforts Stenter- 07 Chamber Dyeing and Finishing with Thermex	Montex-6000 Germany 2004	126 inches	1	70-80k	100%	10		12
9	Soaper Machine (Washing) Open WidthWashing Compartments	China (T&N) Model-LMH-630-360 (Year 2004)	138''	1		100%	10		
10	Pressure Jigger	Pak Made	500 kg	1		99%	10		4
11	Open Jigger	Pak Made		1		92%	10		4
12	Winch	Pak Made	300 kg	1		100%	10		4
13	V-Rock stantor	China 08 Chambers	126 inches	1	50-60k	100%	10		14
14	Xetma -Raising / Peaching	Optisystem Xeltex 30 BJ 2002-Germany	128 inches	1	30-35k	100%	12		3
15	Monforts Peaching	Mod-5401 Bj-1976 Germany	74 inches	1	30-35k	100%	12		3
<b>COATING &amp; FLOCKING</b>									
1	Coating & Flocking machine Famatex Stenter	Eagle Type BSRIF BJ 2000 Italy Germany	118 inches	1	20-25k	100%	10		12
2	Mon forts Stenter	7 Chamber Germany	126 inches	1		100%	10		10
<b>WADDING</b>									
1	Wadding Machine	Hunder	110 inches	1		100%	10		25

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## 4.2 Research and Product Development

In this era of competition, Research and development is the key factor that sets the Company apart from the Competition. Amtex lays strong emphasis on R&D based on the philosophy that sustainable growth can only be achieved by focusing on R&D. Amtex allocates 3% of its annual sales turnover on the R&D activities which has been the catalyst for Company's historical growth and will be so in future. Amtex has a leading Product Development Department at regional and international level. Some of the innovative fabrics and value added Products are:

- Fibre Technological Development
- Mechanical Technological Development
- Special Technological Chemical Finishes
  
- **Bamboo Fibre**

It is a cellular fibre fabricated from natural bamboo. It has property of strong durability and stability which enlightens the Product to be used for longer time and a customer can rely on the durability of the Product. It has approximately 3 times more life than Cotton which defines its stability. Its anti-bacterial and deodorant properties make it distinct from others. Bamboo Fibre is strong water absorbent which makes it good for warm-weather wear.

- **Organic Fibre**

It has no chemical treatment that can cause any type of allergy. It is distinct because of extremely comfortable feel it has. It has property of being absorbent and soft which makes it more comfortable. Its soft and luxurious feel helps to keep customer in peace of mind.

- **Modal Fibre**

It is about 50% more water-absorbent than Cotton. It is designed to color similar to Cotton. Modal is a manufactured fiber made from plant cellulose, specifically from beech trees. Modal fibre is natural and environmental friendly.

- **Lyocell fibre**

It is a wrinkle resistant material. Lyocell fibre has an excellent wet strength with the property of being soft, strong and absorbent. It can be machine-washed, hand-washed and dry-cleaned as well. It can be dyed in many colors and have property of simulating a variety of textures like silk, suede or leather touch.

- **Cool Max**

It has a unique shape that transports moisture away from the body. Its material keeps the wearer cool and dry. It has a special property of efficient moisture management. It is resistant to fading, shrinking and wrinkling. Cool Max primarily worn during exertion.

- **Soya Bean Fibre**

Soya Bean fibre has an exceptional drying property. It is dry and comfortable and gives out a luxurious appearance. Soya Bean property has an outstanding feature of being smooth, soft and light to handle. Soya Bean fibre has lusters of silk which has the noble appearance of silk. It has some healthy properties that are good for skin.

- **Lycra Fibre**

Lycra Fibre has special stretching ability which makes it different from others. It can be stretched up to 600% which shows its distinctive ability. It gives freedom of movement to wearer and provides utmost comfort. It has now become a popular material for sportswear and casual wear.

- **Aloe Vera Fibre**

Innovations in the Textile field have embedded the virtues of Aloe Vera in garments which prevent ageing of the skin and keeps skin free from microbial infections. It has a property of being very soft and it stays soft for long time. It has excellent surface smoothness without the typical "silicone handle".

- **Milk Fibre**

The producing process of Milk fibre does not have any effect on environment and formaldehyde in the Products is zero. Milk fibre is considered as 'green Product'. Milk fiber contains seventeen amino-acids and natural anti-bacterial rate is above eighty percent. So milk fiber has sanitarian function. Milk fibre adopts milk protein as its main material and high-technical process.

- **Corn Fibre**

It has a great heat resistance quality. Corn fiber has excellent air permeability. It has a full luster of elasticity with excellent slippery and moisture regain. It has a high melting point and can be recycled into fertilizer. Hence it is environmental friendly.

- **Dual Moisture Management 37° C Finish**

This is a unique moisture management finish. It guarantees sufficient moisture on the skin all the time. The body level is kept at an optimum level and wearer does not feel heat, cold and moisture. It has a Dual Moisture Management (DMM) which balances moisture as well as temperature of body.

- **Anti-Hurt Healing Finish**

Anti-Hurt Healing Finish has its distinctive surface smoothness. It has upper edge on improved sew ability. It has a shining effect in combination with a calendaring process. It helps in wound healing and skin fostering.

- **Ever Young Finish**

It has a property of being exceptionally well for softening of wool fabric. It has high surface smoothness with durability. It has specialty of being silky shine and skin nurturing. It is voluble in handling and particularly core soft.

- **Cordial Care Finish**

It is very soft and smooth to handle. It is unique with its Antistatic property. Cordial Care Finish is applicable by padding as well as by spraying. It has good rewet ability of the finished fabric. It helps in moisture regulative and vitalizing.

- **Vitamin-E Finish**

Vitamin E is a very essential need for the body. A sleep on Vitamin E Product ensures comfortable sleep and gives more energized and fresh feel. Vitamin-E is well known for its Anti-Aging effect. Vitamin-E is a natural defender and keeps the product quality up to 40 washes.

- **Wrinkle Free Nano-TEX Finish**

Amtex is the pioneer globally in Home Textile sector in developing and exporting Wrinkle Free Nano-TEX to U.S market. The Product can bear up to 50 washes. It has been tested and rated 5 for wrinkle free as well as ratings of under 6 seconds for wicking test.

- **Fragrance Finish**

It has a unique fibre surface modification by sol-gel finishes with inorganic oxide films. Fragrance Finish has a special anti-odor effect which helps to overcome bad odor. By using plasma and radiation technologies it makes fibre surface modifying finish. Its fragrance finish helps in keeping fragrance active for specific time.

- **Anti-Dust Mite Finish**

People are usually allergic to dust and are demanding Products that are Anti-Dust. Anti-Dust Mite finish prevent spread of dust-mites on Product with its exceptionally well designed finish.

- **Ionized Finish**

By treating the fabric in appropriate composition, ionized finish is durably fixed to a Textile fabric. The goal is to provide an ionized finish that will function to enhance the physiologic and athletic performance of the wearer or to provide a more relaxing night's sleep. The chemistry is utilized to impart ionized group to fabric depending upon the balance of chemical and physical properties expected from finished fabric.

- **Antimicrobial Finish**

The Antimicrobial Finish provides protection against bacteria and fungi which cause deterioration. From the VITRO test it is confirmed that it inhibits the growth of odor-causing bacteria and its VIVO organoleptic tests confirm the practicality of this concept under actual use condition in socks.

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## 4.3 Direct to Retail (DTR) - Business Model

As the global economy shows initial signs of recovery, traditional Textile manufacturers, operating in today's retail-driven supply chain environment, are faced with a challenging dilemma - optimizing Product availability/quality and reducing costs at the same time. With globalization on the rise, and the field of competitors continuing to grow, manufacturers are struggling to differentiate themselves and retain retail mindshare. This has led to a proliferation of new and innovative solutions for optimizing supply chain i.e. "*DTR Phenomenon*".

Direct to Retail or DTR is essentially a model whereby the role of intermediary is eliminated. Traditionally, manufacturers sell goods to importers who act as an intermediary between the manufacturers and the Retailers. The disadvantage in this model is the additional burden that the final consumer has to bear in form of the middlemen's profit margin. Secondly, lack of visibility and control over processes/assets in extended multi-tier/multi vendor retail supply chain models impeded Productivity, response time and resulted in sub optimal outcome for both the Retailer and manufacturer alike.

Diminished consumer purchasing power as a result of the recent global economic slowdown has forced the Retailers to either cut back on profit margins or rethink their supply chain strategy to offer competitive pricing to the end consumer. Most of the Retailers have opted for the latter option by eliminating the role of the intermediary to cut down on middlemen's profit margin and thus offer competitive price to the final customer. However under this new scheme of things manufacturer has to gear themselves up for additional role i.e. Manufacturer plus Intermediary.

DTR is a *revolutionary model* and its acceptance is inevitable as the Industry undergoes a seismic shift. With many of the top global Retailers opting to switch to the DTR model, Amtex has a distinctive edge over its peer companies as it achieved absolute integration with the DTR model by dealing directly with the Retailers beginning in FY06 and also enhanced margins in the process. However, switching to DTR is not just a simplistic adoption of a model but a quantum leap. It requires not just adhering to new technology and up-gradation of existing IT infrastructure to conform to the strict requirement of the Retailer/buyer but it also involves a philosophy and cultural change.

The DTR model induces the culture of continuous improvement for providing Products and services of the highest quality. This strenuous process is intended to ensure that the inspection and inventory cost of Retailer is reduced to an optimal level as Product delivery is directly at the store. Amtex has state of the art technology infrastructure which enhances its delivery capability. This has been a major factor in ensuring high client retention percentage but has also helped the Company to secure additional business.

Amtex's sister concerns, Amsway Inc - US and Amtex Europe GmbH plays a vital role in Amtex's DTR service. By having presence via its sister concerns in US and Europe, Retailers find it more convenient to visit Product showrooms and are assured about Amtex's delivering capability. Amtex has allocated an area of 100,000 sq ft approx for warehousing facility in Swan, Production stitching facility for Direct-To-Retail Operational activity.

## ▪ US Operation

Amtex's US based sister concern - Amsway Inc. is fully functional across United States for delivering direct to store distribution from the following locations;

- Glen Oaks Logistics & Distribution Dallas, Texas
- South Carolina warehousing facility
- New warehousing establishment in New Jersey

## ▪ Europe Operation

Amtex's Europe based sister concern - Amtex Europe GmbH is also an integral part of Amtex European Operations as it serves as a fully functional unit for delivering direct to store distribution from the following locations;

- Lörrach Warehouse (Owned by Amtex Europe GmbH)
- Hamburg Warehouse

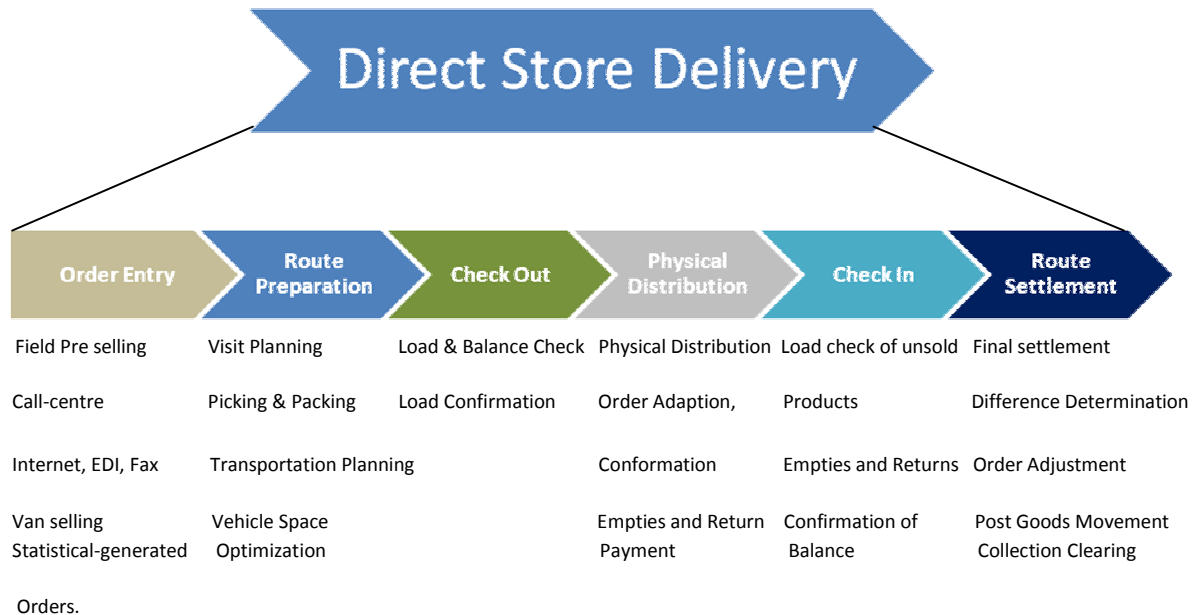
All these warehousing facilities are equipped with modern EDI systems, warehouse management and other pre-requisite of a modern warehouse.

## ▪ Electronic Data Interchange (EDI) System

In order to support the Direct to Retail model, the Company has implemented Direct to Store (DTS) Inventory management program which runs on the basis of EDI (Electronic Data Interchange) system. This system is linked with Point of Sale in every store of a Retailer and whenever a sale is made, the inventory is updated automatically. Simultaneous demand for new stock is generated through the system which is forwarded to the manufacturer for inventory replenishments.

In DTS, ready stock is kept in pick and pack warehousing facility for replenishment in order to ensure timely delivery of orders on the shortest possible lead time. The area is equipped with all the necessary facilities like E.D.I, warehouse management, logistic, trucking to port etc.

- DTS Model in a Nutshell



- Inventory Management and Packing Process

In order to support the DTS model, inventory management and packing process are an integral part. Both the processes have to be streamlined to enhance Operational efficiency, reduce inventory and distribution cost and thus improve customer satisfaction. Amtex has state of the art Inventory Management system is place with the following provision

- Online Tracking System

Amtex has in place Online Tracking system that facilitates real time tracking of the consignment.

**Interactive Warehouse Facility**

WIP, Inventory and final dispatches are controlled through modern technologies based on RFIDs. Provision of Digital Navigation of the Warehouse

## ❖ Key Features

### ➤ Real time Online Order Arrangements and Tracking

- ✓ Greige Virtual Warehouse
- ✓ Processing Production
  - Fabric Testing Reports
  - Physical Properties Reports
  - Color Fastness Reports
  - Performance Testing Reports
    - Finished Fabric Virtual Warehouse
    - Cutting
    - Stitching
    - Packing & Shipments
    - Interactive Warehouse

Order Number: AWATED Amtext Job Number: 7703 Shipment Date: 10-NOV-2006								
Greige								
Construction	F/W	Required Quantity	Arranged Quantity	Balance	%Age Completion	Completion Date	Status	
T-300	114	19200	19200	0	100%		Completed	
Processing								
Construction	F/W	Design/Color	Required Quantity	Processed Quantity	Balance	%Age Completion	Completion Date	Status
T-300		Red	2950	2950	0	100%		Completed
		Blue	2200	2200	0	100%		Completed
		Light Yellow	1870	1870	0	100%		Completed
		Rose Pink	1780	1780	0	100%		Completed
		Beige	1650	1650	0	100%		Completed
		Dark Green	2400	2400	0	100%		Completed
		Black	2950	2950	0	100%		Completed
		White	3470	3470	0	100%		Completed
Stitching								
Article	Size	Design/Color	Required Quantity	Produced Quantity	Balance	%Age Completion	Completion Date	Status
S.Set	Twin	Red	66	66	0	100%	09-NOV-2006	Completed

### ➤ Shipments Monitoring

- ✓ Integrated with all major Shipping lines

### ➤ Online Documents Status & Tracking System

Real Time Online Documents and Samples Status & Courier Tracking allow tracking of the following

- Samples/ Strike-offs
- Letter of Credit
- Invoice
- Packing List
- B/L
- Certificate of Origin (Where Required)
- GSP
- Courier Monitoring
- Integrated With All Major Courier Companies

**Online Documents Status & Tracking System**

No Need to Ask FedEx/ DHL Number, Just Click and Find-out the Status of the Documents

➤ Online Live View

Amtex also has an Online Tracking System that complements the overall DTS model. With state of the art IT infrastructure the buyer can have a real time view of its order status.

**Online View**  
Online Live View of All Major Production Segments with Under-Production Order's Detail

Customer: APC P.O. No. C12321  
Article: Flat Sheet  
Qty: 15,000 Sets  
Estimated Dispatch Date: 30 Oct 2006  
Destination Port: NY



Processing      Stitching      Packing

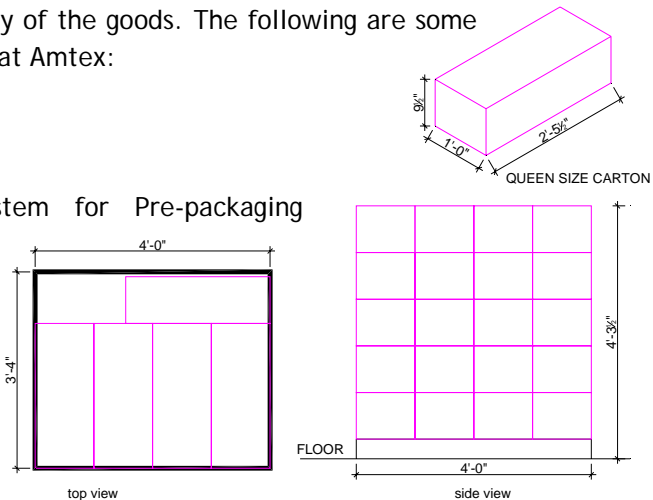
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## ▪ Packing Process

Retailers require customized packing which not just require optimal utilization of space at the time of packing but also has to ensure safety of the goods. The following are some of the key features of the Packaging facility at Amtex:

### ➤ Key Features

- ✓ Computerized Information System for Pre-packing Production
- ✓ Integrated System with Orders EDI System
- ✓ In-depth Inventory drill-down system to navigate the warehouse in:
  - Zone
  - Rack
  - Rack Portion



25 CARTONS ON EACH PILOT  
 TOTAL NOS. OF CARTON = 393  
 TOTAL CARTONS STACKED = 9825

## ▪ Benefits

- Real time Production and exact work in hand status
- Managed and controlled Production stacking
- Quick Inventory find-out system
- Quick Inventory Pull-out for Packaging and Shipment

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- DTR at AMTEX - Insight

Once the program is awarded by the Retailer, three different types of deliveries are to be made:

- Roll Out shipments
- Backup shipments
- Replenishment Shipments

The customer/Retailer after awarding the program issue (Buy Sheet) which gives an idea of total quantum and expected date of shipment. The size of the shipment is dependent on the number of stores that the Product has to be placed in. Normally the number of stores range from 1,000 to 2,500 while the whole consignment is to be manufactured in one go. The size of shipment ranges from PkR 350 million to PkR 1,000 million. This shipment is termed as "*Roll Out Shipment*".

After being awarded the Buy Sheet, the procurement team starts making fabric arrangements. Two types of arrangements are being made.

- Either direct purchase of fabric from vendors
- Procurement of Yarn for conversion on looms

The delivery of fabric starts from 45 days and ends before 180 days depending upon the size of order. Once the fabric is available with the processing units, in-house and out source arrangements are being made. Its processing normally takes up to 30 to 45 days. The stitching job (value added) is very technical in nature hence it is executed completely in-house under strict quality procedures and supervision. This may take a maximum of 60 days from handover of fabric. The total Product cycle for Roll Out Shipment thus takes approximately 180 to 270 days.

Once all details regarding the Roll Out Shipment are finalized, the Retailers' Buying Team issues the "*Back up Shipments*" program to the manufacturer. This is the safety stock that has to be kept as backup inventory in stores to meet day to day requirements. The Back up Shipment program size is normally 50% to 75% of the Roll Out program. These are to be shipped within one month of the Roll Out Shipment. Same Product cycle is followed as the Roll Out Shipment program.

Once initial deliveries are made, Amtex's MIS team takes up the charge of the Product by direct linkage with the TILL of the Retailer. The Company undertakes constant product analysis to prevent stock out while at the same time the material management team decides the stock levels to be kept to replenish the stock.

Inventory is kept as

- Grey Fabric
- Fabric in processing
- Processed fabric in Godown
- Fabric in from of cutting
- Fabric in stitching process
- Stitched articles

Inventory management team ensures that the inventory level is kept at an optimal level to prevent any stock outs and also avoid excessive stock for working capital management reasons. After getting the update of sales in each store, replenishment of sold articles are being made on weekly basis. These PO's are received on Tuesday and shipment is made on Friday of the same week. No additional lead time is available if a miscalculation is made by Amtex. That is why, business analysts at Amtex are continuously conducting detailed analysis and ensuring that all anomalies in demand are properly accommodated. For one program of Sheeting, there are in minimum 8 styles/colors with 5 sizes. So in total 40 SKU's in minimum are to be analyzed by the Business Analyst. The team utilizes high end Decision Support System so therefore, inventory levels are revised and amended as required. These are called "Replenishment Shipments".

Retailers either give contract followed by L/C or contract followed by Non- banking L/C or only contract. Payment is normally on sight or 30 days. Retailers issue contract at the start of the program and issue L/C approximately 15-30 days before shipment date.

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## 4.4 Certifications

The following is the list of Certification Company has achieved over the years:

- Certificate Of Compliance Onecert Certified Organic



- Purpose: - For special / pure Cotton use

Detail: This Certificate has been earned by very few firms from Pakistan. Certification has very strict follow up and test to go through. It is because of the maintained standard by the Company that has managed it to obtain this certificate.

- Bureau Veritas Certification (ISO 9001; 2000)



## ISO 9001:2000 Certification (Quality Management System)

Concerning the Quality Management System, ISO 9001:2000 Certification depicts Amtex's has enhancement of customer's satisfaction and applicable regulatory requirements for the continuous improvement of the Quality Management System.

- Purpose: For quality management system. (QMS)

Detail: Bureau Veritas is among world's leading certificate provider. The aim of this certificate is to ensure that businesses worldwide maintain particular standards in order to satisfy the clientele and Industry in international market. Strict implementation of the certified practices ensures that the business is meeting the standards and maintains an edge over the competitor by being able to respond to changing needs in an increasingly competitive global marketplace.

- Bureau Veritas Certification (ISO 14001; 2004)



## ISO 14001 Certification (Environmental Management System)

ISO 14001 Certificate authenticates that Amtex as a wet processing unit, has minimized harmful effects to the environment caused by its activities, and has continuously improved its environmental performance.

- Purpose: For environment management system

Detail: To show the keen interest that Amtex is committed to preserving the planet and its natural resources is demonstrated through this internationally recognized Environmental Management System Certification, ISO 14001. This is a valuable certification which depicts maintenance of the standards and ensures that companies control and successfully manage emissions and waste handling, use natural resources and energy efficiently, and constantly pursue excellence through regular audits and improvements.

- Certificate Of Conformity



- Purpose: Fair trade certificate

Detail: Flo-Cert is a well known independent Certification Company that offers fair trade certification services to clients in about 70 countries. Certified Fairtrade is a Product certification system where social, economic and environmental aspects of Production are matched and certified against the Standards set by Fairtrade. The buying and selling is certified against Fairtrade Standards for Trade. The Flo-Cert system monitors the buying and the selling of the Product until it is consumer packaged and labeled. Certificates are only issued after a physical inspection has confirmed that all relevant Fairtrade Standards are complied with. Flo-Cert supervises the continued compliance with Fairtrade Standards through a series of Surveillance activities.<sup>1</sup>

- Certificate Of Compliance - B Level (WRAP)



## WRAP (World Wide Responsible Apparel Production) Certification

Achievement of WRAP Certification reflects Amtex's Commitment to socially responsible business practices by adhering to the WRAP Principles.

- Purpose: For implementation of labor laws (Garments)

Details: It is a one-year certificate that is awarded to a factory that has demonstrated full compliance with all WRAP principles during the first audit. There are twelve principles of WRAP:

- ✓ Compliance with Laws and Workplace Regulations
- ✓ Prohibition of Forced Labor
- ✓ Prohibition of Child Labor
- ✓ Prohibition of Harassment or Abuse
- ✓ Compensation and Benefits
- ✓ Hours of Work
- ✓ Prohibition of Discrimination
- ✓ Health and Safety
- ✓ Freedom of Association and Collective Bargaining
- ✓ Environment
- ✓ Customs Compliance
- ✓ Security

Amtex is fully complying with all the above mentioned principles which have assisted Amtex in obtaining this valuable certification.

- SGS (SA 8000: 2008)



## SA 8000 Certification (Social Accountability)

SA-8000 certifies that Amtex believes in long-term relationships with its employees by providing them benefits, basic legal rights and good working environment.

- Purpose: For social accountability (labor issues)

Details: SA 8000 certification enables Company to demonstrate its commitment to social accountability standards as well as employee and customer satisfaction.

SA 8000 is an international certification standard that encourages organizations to develop, maintain and apply socially acceptable practices in the workplace. It is viewed as the most globally accepted independent workplace standard. The areas it addresses include forced and child labor, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, compensation and management systems.

- Oeko - Tex Standard 100 Test - No. 4734



## OEKO TEX 100 Certification

Achievement of OEKO TEX 100 Certificate, validates Amtex's commitment for using human friendly dyes and chemicals in product manufacturing.

- Purpose: For the purpose of tested harmful substances according to OEKO - TEX standard 100

Details: The Oeko-Tex Standard 100 is a globally uniform testing and certification system for Textile raw materials, intermediate and end Products at all stages of Production. The Oeko-Tex Standard 100 was introduced as a response to the needs of the general public for Textiles which posed no risk to health. There are currently over 9,000 Textile and clothing manufacturers throughout the Textile processing chain in more than 80 countries certified according to the Oeko-Tex Standard 100.

## 4.5 Environment Protection

Amtex has always advocated use of environment friendly technology in its Products. There are numerous Ways Company is contributing to cleaner and safer environment:

### ▪ Improvement in Plantation & Social Contribution

Amtex's biggest contribution to the city of Faisalabad is Amtex Square, as part of its effort to beautify the city. This square depicts both architectural and historical feature as its centerpiece has the biggest man-made waterfall of Asia. Amtex has made a bird sanctuary committed to the care and breeding of endangered species from around the world

Amtex believe in environment protection by protecting greenery. It is taking further steps for this purpose like tree plantation/creating green belts in the mills premises to create environment friendly work place.

### ▪ Waste Management

Amtex is ISO 14001 certified by the BVQI. Amtex have established system for controlling all the core aspects about environment. The Company has documented schedules/plans for disposing different types of wastes including non-hazardous as well as hazardous substances. The workers responsible for disposing them are well prepared before disposing these wastes substance. Training schedules have been developed and communicated in each department about creating awareness in workers on Environmental point of view.

### ▪ Effluents Controlling

As Amtex's treatment plant is in machinery erection stage, it taking effective measures to minimize the effects of Waste Water on Environment. For this purpose the following major steps have been taken regarding wastewater treatment plant:

- ✓ Identification of weak and strong wastewater streams & modification/improvement of drains
- ✓ Training of workers about efficient/controlled use of chemicals and dyes is conducted on regular basis
- ✓ Left over chemicals is not drained out rather secured and reused if possible. If there is need to dispose the chemicals then the land fill area is used for this purpose
- ✓ Company's policy of lot wise issuance of chemicals from store is very helpful in saving wastage of chemicals
- ✓ Environment review and impact assessment have been carried out and instructions given by our environmental consultants are being implemented

- ✓ Installation of heat exchangers to ensure that temperature of wastewater streams is kept below 40 degrees as per environmental standards
- ✓ Installation & Operations of Termo-electronica Automatic Color Kitchen in printing to minimize the chemical waste & for proper weight required (Instead of manual recipe preparation)
- ✓ Regularly conducting testing/analysis of wastewater internally as well as externally on regular basis."

#### ▪ Emissions, Heat & Noise Control

Emissions, Heat & Noise of different machines are controlled within NEQS limits by preventative maintenance and by regular emissions testing.

#### ▪ Setting Objectives & Continuous monitoring

The significant environmental impacts are reviewed in the meetings & by regularly monitored and considered for setting its environmental objectives.

Environmental aspect data is updated whenever an aspect is identified by any source like Company employee; visitor, customer or other interested party. Aspect identification form is used to identify aspects and all relevant data is updated accordingly.

Besides Product development & environmental protection, Amtex is taking keen interest in skills development and training. Workshops, seminars and conferences are conducted on all levels on regular intervals. Market research cell and process of up gradation of information technologies also plays a very vital role in achieving highest efficiencies and remarkable goals.

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## 5. The Textile Sector

### 5.1 Overview

- **International Perspective**

The global trade in Textile and Apparel Products amounts to approximately USD440bn. The average annual growth rate of the Textile market was about 5% in the 1990s which increased to 10% during FY07. The general economic slowdown saw the Textile market growth rate to slip to 3.9% in FY08 and to 1.8% in FY09.

China has a rapidly growing share in the world Textile market. During the 1990s, China accounted for about 6.9% of the world export of Textiles which surged after 2005. Remarkable growth was witnessed in China's exports of clothing in the post-quota era with its share of the world market increasing from 8.9% in 1990 to 26.9% in 2009. European Union has the largest share in the world market for Textile and clothing. The European Union (EU-27) captures one-third of the total world export of Textiles.

- **Regional Perspective**

Pakistan is a heavyweight itself amongst regional competitors like India and China. Pakistan has the comparative advantage in being the fourth largest producer of Cotton and thus is one of the leading exporters of primarily low-value added Textiles. In this regards, Pakistan is the largest exporter of Cotton Yarn and a leading exporter of Home Textiles. Abundant availability of the raw material gives Pakistan an edge over other countries in the region. However, Pakistan's main competitors India and China have a highly diversified economic base. While India and Bangladesh lead in garments manufacturing they are unable to compete with Pakistan in the Home Textiles category excluding China.

A comparison of regional Textile Industries suggests that the Indian and Chinese Textile Industries are better placed in the post quota environment with greater scale and more focus on diversification & value-addition. Pakistan is at a disadvantage relative to the region in terms of rising cost of Production (elimination of power subsidy), higher prevailing interest rate environment in Pakistan and benefits enjoyed by regional counterparts (Bangladesh's GSP + status). To counter these weaknesses, the government has recently announced the first ever Textile Policy to help revive core business growth and boost up Textile exports to US\$25bn by 2014 from US\$9.56bn in 2009.

- Local Perspective

With around 521 mills in Operation, the Textile sector has been the backbone of Pakistan's manufacturing sector and will continue to be so going forward. Therefore, any change in the dynamics of this sector has an affect on the overall economy one way or another.

The Pakistan Textile Industry on average contributes more than 60% to the Country's total exports. Employing about 38% of the manufacturing labor force, the Textile sector contributes approximately 46% to the total manufacturing output in the country. That said the sector's contribution to total GDP is around 9%.

However, the overall Textile exports have slowed down in the last few years, but some value added segment have registered significant growth over the same period and perhaps are indicative of the future direction of the Textile exports. In this regards, the Home Textile category have been able to isolate itself and have managed to buck the general downtrend.

As the global economy shows initial signs of recovery together with improving domestic conditions and the recent government incentives should help revive the growth trajectory of the sector going forward. Pakistan is currently exporting Textile Products to a number of countries, in which USA and the EU-27 region together accounts for more than 65% of the overall Textile exports.

## 5.2 Textile Sector - Segment Classification

*"Pakistan's biggest advantage lies in the indigenous Production of Cotton, being the fourth largest Cotton producer. Pakistani Cotton is regarded as the best in the world for producing lower and medium counts of Yarns. As a result, Pakistan's Cotton is more suited for producing main stream Products such as denim, bed wear Products, towels, knit wears, curtains & linings, and pocketing materials".*

- Cotton Yarn

Making up 16% of the Pakistan's total Textile export, Cotton Yarn is one of the most exported Products. With exports of approx US\$1.6bn in FY09, the low-value added nature of the Product hedges the sector from general slowdown. China and Hong Kong were the major importers of the Product from Pakistan in FY09.

China and Hong Kong are the largest importers of Cotton Yarn from Pakistan, making up 37% of Pakistan's total Cotton Yarn exports. Despite stellar domestic Cotton arrivals, up 24%YoY, domestic Yarn prices are up 32%YoY compared to last year. This can be explained by the combination of lower global Production (expected 13%YoY decline) and rebounding consumption. As a result, the Spinning sector of Pakistan is booming with robust export and domestic demand.

Due to Cotton crop shortfall in the major Cotton producing countries like China and USA, the world market is facing a severe compression in Cotton Yarn stocks, opening new export opportunities for Pakistan's spinning sector.

- **Fabrics**

The Global trade in woven fabric can be classified into two broad categories, Cotton and Blended fabrics and synthetic and artificial fabric, commonly referred to as man-made fabric. Asia is fast emerging as major source of exports, especially of Textiles to the USA, EU and other countries of the world. Due to the low-value added nature of the Product, Pakistan has emerged as one of the major fabrics exporter in the world market. Fabrics exports made up 20% of total Textile exports in FY09. It came under one of the top exported Product of the Textile sector. In terms of Product and market penetration, Pakistan has an edge in woven fabrics, having a market share of 30.44% in the EU-27 market. In terms of regional comparison only China comes close to Pakistan with a market share of around 22% in the EU-27 market. On the flip side, Pakistan lags behind China in the American market with a market share of 14.21% compared with China's superior market share of about 45%. In the knitted fabrics category, Pakistan's share in world market lags regional competitors with regional competitors coming out on top in both markets.

- **Apparels**

The Apparels category covers a fairly broad range of knitwear and ready-made garment. Some of the major categories are bottom wear, sleep wear, work wear, gowns and embroidered dresses.

exports of Apparels from Pakistan in the last ten years had increased from US\$1.5bn to only around US\$3bn in FY09. Pakistan lag behinds its regional competitors in Apparel exports due to low-value added Production facility and lack of focus on Technology upgradation. As per UN report, 102 countries import Textile and Apparel Products and 104 countries export these Products.

With a 18% share in total Textile exports, Pakistan is well behind its regional competitors in terms of market share. Pakistan has a market share of 3.14% in the EU-27 market and 3.34% in the American market in FY09. In comparison China, India, Turkey and Bangladesh together have a market share of about 76% in the EU-27 market and around 27% in the American market.

Ready made garment exports make up around 12% of total Textile exports of Pakistan. This category also suffers from strong regional competition as it only has a 1.92% market share in the EU-27 market and 1.67% share in the American market. On the flip side, China, India, Turkey and Bangladesh together have a market share of about 71% in the EU-27 market and around 49% in the American market.

This sector would be favorably impacted by the government's increasing focus on encouraging and facilitating the value-added sector through favorable financing rates and duty draw back incentives offered in the recent Textile policy. This will provide cushion on Production cost while allowing competitive pricing in the international market.

- **Home Textiles**

A wide range of Products are classified under the Home Textile category. These include, Bedlinen, Towels, Upholstery Range, Quilted Product and Curtains to name a few.

Making up 30% plus of total Textile exports, Pakistan's Home Textile occupies an authoritative market share in the world. Pakistan enjoyed a 26.38% market share in the EU-27 market and 23.88% in the American market in FY09. These statistics make Pakistan the second most imported destination after China. Further drill down reveals, Pakistan spearheads the Bedlinen category in the EU-27 market, commanding a 29.21% market share (volume-wise) in FY09. In terms of competitive positioning only China with a market share of 11.43% come close to Pakistan. In the post quota regime, Pakistan has been able to post a volumetric CAGR of 4% during the last 5 years. If Pakistan had not been excluded from the GSP Plus scheme, its market share would have been significantly higher. In this regards, Bangladesh, which was blessed with the GSP Plus scheme coupled with 0% anti-dumping duty in 2005, has been able double its Bedlinen market share in the EU market from just over 4.5% in 2004 to 8% in 2008.

After the termination of the anti-dumping duty by the EU in March '09, Bedlinen exports of Pakistan will now be subjected to normal custom duty of about 10%. If no new investigation proceedings are initiated, the medium term outlook for Pakistan's Bedlinen exports will be positive. Pakistan also commands the most competitive unit value amongst its regional exporting competitors. Pakistan has an edge due to indigenous Production of Cotton which is best suited for manufacturing Home Textiles. Although China and Bangladesh could pose threats for Pakistan Bedlinen exports in the EU market if Pakistan exporters and government policy action fails to capitalize on the current market superiority. With the International community urging for greater market access to Pakistan market's, such a policy action, if implemented, would auger well for Pakistan Textiles.

- **Investment**

Although being the largest foreign exchange earner, investment in the Textile sector has been lackluster and has receded investment in other sector. With the introduction of first ever Textile Policy, the fortune of the Textile sector is bound for a U-turn.

To portray the grim picture, as per statistics of the International Textile Manufacturers Federation (ITMF), Asia added 12.05 million Textile spindles in 2007 accounting for 94 per cent of total Spindles installed in the world. China, with addition of 6.06 million Spindles, accounted for 47 per cent of total investment. India added 3.74 million Spindles, which was 29 per cent of total

Spindles added globally in 2007. Pakistan could not add even a single Textile Spindle in that year while Bangladesh added 0.606 million Spindles.

The domestic Textile Industry has made an investment of about US\$7.5bn during the last ten years (1999-2009) according to the Economic Survey of Pakistan. This investment has been made into various segments of Textile.

Post quota elimination at the end of CY05, almost US\$5bn has been invested in the Textile Industry with majority going towards the Spinning sector to increase its scale. Against Industry expectations that the Investment in the Textile sector would pick up considerably, imports of Textile machinery has exhibited a declining trend mainly on the back of high financing costs and import duties. Textile machinery imports have declined by 43%YoY in FY09 to US\$236mn against US\$418mn in the previous year. Ceteris paribus, the recent zero rating of duties on Textile machinery imports coupled with improving macro indicators should arrest the declining trend going forward.

In the new Textile Policy various incentives have been proposed for up-gradation of the existing plant and machinery and support for import of new technology.

- Textile Investment Support Fund (TISF) will be established for incentivizing Investment in modernization of machinery technology and streamlining Operations
- Furthermore Technology Up-gradation Fund (TEF) to encourage Investment and adoption of new technology

### 5.3 Textile Policy 2009-14

A five-year Textile policy has been inked. The new policy has prioritized restructuring and reorganization of the Textile sector to augment Textile exports to US\$25bn by 2014 from US\$9.56bn achieved in FY09. The policy incentivizes all aspects of value chain process. It includes include special duty draw back rates of 1% - 3% on value-added Textile exports, reduced export refinance rate at 5% and establishment of Textile Investment Support Fund (TISF) and Technology Up-gradation Fund (TEF). Although a detailed SRO from the government is awaited, the policy itself is very favorable as the entire Textile value chain is being facilitated. Furthermore, the government's emphasis and focus on the value-added sector is refreshing as greater orientation being placed on value-added activities. This requires showcasing the high end of the Pakistan's Textile potential Pakistan which can compete at a higher margin space rather than being confined to the commodity space in the Global Textile trade.

## ▪ Salient Features

- A Textile Investment Support Fund (TISF) will be established for incentivizing investments in modernization of machinery technology and streamlining Operations
- A Technology Up-gradation Fund (TEF) with PkR1.6bn grant for FY10 and PkR17bn by FY14 will be established to encourage investment and adoption of new technology. Under this scheme, for capital intensive projects, government will absorb 50% of interest cost on new investment in plant and machinery. For small investments, government will contribute up to 20% of capital cost as a grant
- An amount of PkR1bn is being allocated in FY10 for infrastructure development in setting up industrial estates (Textile and garment cities) and for schemes for common warehousing, storage and marketing facilities
- Efforts would be made to identify all direct and indirect levies that add to the cost of doing business so that remedial measures can be adopted
- The availability of export refinance at 5%
- Relief has been given on long term financing
- To mitigate cost of Production and render exports competitive, duty drawback scheme is proposed for a period of two years: (Allocation of PkR17bn during FY10 and PkR27bn for FY11)
- Furthermore, those entities who achieve an increase of 15% in exports relative to last year will be given a 1% additional drawback
- To settle the past claims (June 25 '08 - June 30 '08) under the now terminated R&D scheme for FY08, an amount of PkR5.4bn has been allocated

## 5.4 PEST Analysis

### ▪ Political Factors Influencing the Industry

Pakistan, being a strategically located country, draws immense global attention. The same influence draws the political map of Pakistan. Textile sector being the lead foreign exchange earner for the country has always been in the limelight of existing and incoming governments.

The incumbent government has introduced Pakistan's first ever *Textile Policy 2009*, considered as one of the finest achievement for the entire Textile Industry, which would enable growth in the sector across the board. The pro-Textile policy includes provision for attracting both foreign and local investment & up gradation of the technology to boost the entire sector.

Textile Policy 2009 sets down the favorable tone for the sector. The sincerity of the political forces with the introduction of the policy has been made clear. The implementation has already been initiated. Going forward, significant synergical benefits are in the offing with political forces bending their back in support for the Textile sector. Thus the sector will likely to get a much needed boost amidst pro-Textile policies.

#### ▪ Economic Factors Influencing the Industry

Pakistan's economy has been doing well over the years. Pakistan like other emerging economies has faced economic distress due to spike in the Global commodity prices and turbulent global financial conditions. Heading into 2HFY10, Pakistan is relatively insulated from the global financial headwinds owing to:

- Low reliance on exports (12% of total GDP)
- External debt is low at around 31% of GDP
- Pakistani companies are not exposed to global toxic debt of any form

These three factors have largely decoupled Pakistan from the global financial crisis. Macroeconomic stability has been reestablished under the ambit of the IMF's stabilization program. Fiscal & monetary austerity has led to domestic demand contraction (lower import demand) which coupled with easing of international commodity prices has led to a radical improvement in the four main stability indicators, i.e. Inflation, Fiscal deficit, Current Account and Foreign Exchange reserves.

With the government's sincere intent in place and improving macroeconomic conditions, the markets are posed to move forward from this point. According to 'Doing Business 2009', Pakistan ranked second in the list of strength of Investor Protection Index, showing pro-investment policies of the government. This economic stability would further strengthen the sector growth.

Globally, countries are coming out of recession. Improvement in the external economies augers well with the Textile sector, which will be prime beneficiary of the improving economic conditions enabling it to stride further and strengthening the legacy for Pakistan's Textile Products, both locally & globally.

#### ▪ Social Factors Influencing the Industry

Pakistan is densely populated South East Asian country, the current population estimated at over 170 million. The population growth rate is around 1.94 percent whereas the median age is 20.8 years. Work force of the country is almost 50.58 million, with an unemployment rate of 7.4 percent. With high unemployment rate and availability of young skilled workers willing to work at competitive rates, the Textile sector is bound to gain from this scenario, like every other sector in Pakistan.

Further with the influx of remittances and improving socio-economic conditions, the emerging middle class are ever more conscious of their living standards. Considering these dynamics, the viability and success of the Textile sector enhances as they target the local markets.

Moreover, internationally, the market is already mature and fashion conscious and with high per capita income, affordability and demand of luxurious Textile made ups always holds well for the local Textile sector.

#### ▪ Technological Factors Influencing the Industry

The Textile sector is highly technology intensive Industry with much being dependent upon the technology that has been deployed. Since the value chain comprises of a lot of sophisticated processes, the efficiency levels and input costs are significantly affected by and is dependent on the technology used. The Industry, being the prime earner for Pakistan, requires that the technological up gradation be carried out on consistent basis in order to compete with regional as well as international players.

With the world becoming a global village, procurement of up to date technology can be easily attainable but requires significant investment. With the introduction of Textile Policy special focus has been laid on up gradation and acquisition of new technology which will excel Pakistan Textile sector to move into high value added activities.

## 5.5 Sector Outlook

Cynics might argue that the pigeons have come home to roost, or in other words Textile exports are primarily cashing in on the existing favorable exchange rate environment. However, volume growth across selected Product categories is not just indicative of the exchange rate impact but also demonstrate relative inelasticity for Pakistan's value added Products.

In this regard, Pakistan's value added export Product base is expected to benefit as global consumer preferences switch to cheaper substitutes. Pakistan's Textile sector outlook looks very optimistic with the introduction of the first ever Textile Policy. The benefit to the sector will be unfolded with positive externalities setting the stage for the sector to achieve new highs. There are a number of positive developments that have happened for the sector recently:

- Lifting of anti-dumping duty by EU on bed linen imports from Pakistan that has been in effect since March 2004. This bodes well for Textile Sector as Pakistani exporters will seek to recapture the EU market
- With the depreciation of rupee against the greenback: Textile exporters earned a significant price advantage over regional counterparts
- Establishing of PkR 40bn export Support Fund will acts as a catalyst for the Textile sector as value added activities being the prime focus

- Enhancement of duty drawback, cross subsidy on gas and other export oriented benefits will help the Industry revive
- Interest rate benefit through LTFF (long term financing facility) on long term loan has helped the Industry to grow without incurring high finance cost, which is most likely to continue in the future

Recent media reports have highlighted that the European Union (EU) has agreed to start negotiations in December '09 with regards to qualifying Pakistan for the "Generalized System of Preferences (GSP) plus scheme".

GSP Scheme: In 2001 the EU qualified Pakistan under its special GSP scheme for countries combating drugs. Under the concessionary scheme, Pakistan was allowed duty-free access to the EU garments market for a period of four years. During this period of 4-year (2001-2004), Pakistan's Textile export to the EU-15 region increased by a CAGR of 10%. In contrast, the post GSP period (2004-2008) has proved to be dormant for Pakistan's exports to the EU which registered a CAGR growth of 2%. Pakistan increased its Textile market share (value) from 1.36% in 2000 to 1.86% in 2004. This fell to 1.68% in 2008. Once Pakistan qualifies for the GSP plus scheme, the present duties of about 10% will be zero-rated immediately. As a result, Pakistan will be able to capture significant market share away from regional counterparts.

#### ▪ Initiatives Taken to Support Textile Industry

Government of Pakistan has taken various initiatives to boost the Textile sector and to make it compatible with other global competitors in the quota free regime, these are:

- Establishment of separate Ministry of Textile to focus on Textile issues
- Amendments in labor laws and factories act to make them ILO and W.T.O compliant
- A Campaign for the Production of contamination free Cotton was launched with amendment in Cotton Control Act, 1966. As a result the foreign matter in Cotton has been reduced from 60gm per bale to 5 gm per bale
- Gradual reduction of import duty on Textile machinery to 5%.
- Sales Tax on the import and local supply of major inputs/raw materials utilized in the manufacturing regime of Textile Industry has been zero rated
- Import duty on raw material, sub-components and components used in the local manufacturing of Textile plants and machinery for export sector has been reduced to zero%

- Import duty on ginning presses has been reduced to 5%
- Turn over tax has been reduced to 1% on Retailers of specified Textile fabrics and articles of Apparel including readymade garments or fashion wear. The 15% Sales Tax levied earlier on Retailer has been reduced to 2%. Both these taxes will be final tax liability
- Custom Duty, Sales Tax and withholding tax on raw materials for the manufacture of Textile has been zero rated at the import stage to do away with the duty drawback/refund claims under the revised and simplified DTRE Scheme
- R&D support was given to Garment exports at 6%, Dyed/Printed & White, Home Textile at 3% & dyed/printed Home Textile at 5% of the FOB value. This facility was withdrawn in June '08

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## 6. Risk and Mitigants

- **Operational Risk - (Level: low)**

The risk that the Company, given the magnitude of its Operations, may face difficulties on the back of Production hindrances or any other malfunctioning that may significantly affect the Operations of the Company

- **Mitigant**

The Operations of the Company have grown significantly over the last decade. The Company has been able to manage this growth with the expertise of its management team and appropriate planning.

As the Company is working in close coordination with the Retailers (customers), it is able to plan out the annual Production flow and prioritize Production schedule well within time. This enables the Company to control the overall Production flow and mitigate Operational risks.

Further, the Company historical growth re-iterates management planning and execution capability. The Company also enjoys established relationship with all the players within its value chain, including suppliers of raw material to end customers. Going forward, Amtex is expected to continue with the same zeal and achieve similar optimal performance thus minimizing the Operational difficulties for the Company.

- **Sales Decline Risk - (Level: low)**

The risk that the sales of the Company are concentrated within a narrow clientele base which may affect the sales of the Company

- **Mitigant**

Amtex is one of the largest Textile manufacturing concerns in Pakistan and enjoys highly reputable relationship with its clientele. The reason for this is that Amtex is one of the few concerns in Pakistan having Production facility that can meet its retail client's demand, which runs into millions of dollars. Other local players due to their small size are feeding the middlemen and do not enjoy any direct interaction resulting in very weak client retention. In contrast, Amtex due to its huge Production facility is able to meet the Retailer demands well within time and this has enabled them to net in multimillion dollar sales contract and increase their clientele base.

Moreover the Sales of Amtex is not concentrated to a few Retailer stores, but instead comprises of more than hundred clients who make up almost fifty percent of the total Company Sales. This ensures Amtex from the aforementioned risk as Amtex has broad clientele base and is not dependent on few clients.

The Company is also hedged against any downfall in the local economy as more than 96% of the Company are in export form to high end Retailers.

- **Political Risk - (Level: Medium)**

Instability in political conditions may effect foreign investments and the clients may be reluctant to buy from local markets thereby affecting Amtex's business

- **Mitigant**

A five-year Textile policy has prioritized restructuring and reorganization of the Textile sector to augment Textile exports to US\$25bn by 2014. This ambitious target is illustrative of the supportive stance Textile sector will enjoy going forward.

Further Amtex is an export oriented Company with 96% of its sales comprising of foreign orders. To dilute the risk of foreigner not visiting Pakistan thus resulting in lack of orders for the Company has to a large extent being mitigated through setup of international display show rooms of its value added Products for clients where they can conveniently place orders. The decision has proven fruitful as these international display Centres have become a critical link between Amtex and the buyers and helped Amtex secure orders from foreign clients. Thus local political risks have negligible impact on Amtex's business.

- **Economic Risk - (Level: Medium)**

Global economic slowdown coupled with deteriorating local macroeconomics may hamper growth for Amtex

- **Mitigant**

Amtex as a policy matter focuses on diversification which is reflected from their Sales distribution. To further dilute concentration level Company maintain a very balanced Product mix so as to avoid any adverse effect on the overall sales. Furthermore Amtex management is continuously involved in forecast to analyze trends in international markets which gives leverage to the Company to position itself inline with the forecasted changes.

The advantage to Amtex has been the fact that it has been catering to premier customers who are operating in different league. This fact can be corroborated with the recent economic recession of 2008 where Amtex sales were not depressed during this period. This is also backed

by the fact that the sales of Wal-Mart, which is considered to be a discount departmental store, raised significantly in times of recession. As Amtex has been selling from the most preferred top tier brands including Bed Bath & Beyond, JC Penny Corporation, Target Corporation, Carrefour and Marks and Spencer to discount stores like Wal-Mart, the economic slowdown has not impacted the sales of the Company and the bottom line has showed consistent growth.

Moreover, the local macroeconomics figures are also improving which will further improve Amtex's result.

- **Competition Risk - (Level: low)**

The local players may follow business model of Amtex creating a hostile competitive environment for the Company

- **Mitigant**

Amtex has been operating on a totally different business model and its value proposition is entirely different - **Direct to Retailers**. Due to dynamics of the model it necessitate that the Company should have economies of scale with a focus on value addition. Amtex's enjoy economies of scale in relative terms and lay strong emphasis on value added Products rather than simply selling basic Textile Products. The Company also has a special **Direct to Retail (DTS)** exclusive service for retail stores which is a unique selling proposition (USP) for the Company. Amtex has been able to achieve all these hallmarks over a considerable period of time. Switching to this model is not just a simplistic adoption but a quantum leap. It requires not just adhering to new technology and up-gradation of existing IT infrastructure to conform to the strict requirement of the Retailer/buyer but it also involves a philosophy and cultural change. It will not be easy for other big players to benchmark Amtex that easily.

However, the grounds are open for everyone, but Amtex being the premier Company to adopt and implement DTR, would always have competitive edge over others.

- **Technology Obsolescence Risk - (Level: low)**

Using obsolete machinery may not be viable to provide support for consistent growth.

- **Mitigant**

Amtex has installed state of the art machinery that has been procured from renowned premium manufacturers from Germany, Italy and other European countries. The Company takes pride in its R&D which is considered to be the best not just at local level but also at regional level. Therefore, the risk is minimized as the Company has consistently kept itself abreast with all the international technological advances and dynamics Research and Development.

- Foreign Exchange Risk: (Level: Medium)

Foreign exchange exposure might affect profitability and exports of the Company.

- Mitigant

Amtex is an export oriented Company therefore it is susceptible to variation in the forex rates. The management is at forefront to mitigate this risk as this can significantly hinder the bottom line of the Company.

However, keeping in view the past trends in which Pak Rupee which has a depreciating trend against other currencies, Amtex is unlikely to face any brunt. Going forward, the Company will benefit from any appreciation of foreign currencies against Pak Rupee.

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## 7. Financial Valuation

### 7.1 Valuation Techniques

In order to determine intrinsic value of the Company, multiple valuation techniques have been used to arrive at a realistic per share valuation. The following valuation techniques have been used by valuation purposes:

- ✓ Discounted Cash Flow Method
- ✓ Price - Earning Ratio (PER) Method
- ✓ Price to Book (P/B) Method

As Amtex Limited is a Composite set up, the comparison has been confined to listed Textile Composite Companies. The following are the Key Assumptions used for determining fair value using the above mentioned techniques:

Factors	Assumptions	Description
WACC	15.83%	$WACC = W_e * K_e + (K_d * (1-T) * W_d)$
Cost of Equity (Ke)	16.70%	$CAPM = R_f + (Equity\ Beta * MRP)$
Cost of Debt (Kd)	15.00%	SBP Policy Discount Rate + 250 Basis Points
Equity Beta (B)	0.70	Beta Equity for the Composite sector
Risk free Rate (Rf)	12.50%	SBP Policy Discount Rate
Market Risk Premium (MRP)	6.00%	Standard Convention by Consensus Analyst
Target Gearing (Wd)	0.47	Average Debt to Equity (Year 2010-14)
Corporate Tax rate (T)	1.00%	Corporate Tax Rate

#### ▪ DCF Methodology

Based on the DCF Methodology, the fair value of AML computes to PkR 37.67 per share, thus the Offer price of PkR 13 per share represents a discount of 65.48% on the DCF value.

#### ▪ Market based Multiples

- ✓ Price Earning Multiple

The following formula is used to compute PER based price:

$$PER\ Price = Projected\ FY10\ EPS\ of\ AML * Sample\ PER\ Multiple$$

Based on the FY10 EPS of PkR 5.17, the offer price presents a PE multiple of 2.5x. If compared with the Average Composite Sector multiple for the last 3 years of 8.15x, the fair value of AML share comes to PkR 42.16, which represents a significant discount of 69%.

✓ Price to Book Multiple

The following formula is used to compute Price to Book based price:

$$\text{P/B Price} = \text{Projected FY10 BVPS of AML} * \text{Sample P/B Multiple}$$

Based on the FY10 BVPS of PkR 38.44, the offer price presents a P/BV multiple of 0.34x. If compared with the Average Composite Sector multiple for the last 3 years of 0.51x, the fair value of AML share comes to PkR 19.60, which represents a discount of 34%.

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## 7.2 Projected Income Statement

Condensed Income Statement (Pkr mn)					
	2010P	2011P	2012P	2013P	2014P
Net sales	16,907	20,594	23,879	26,901	30,171
Cost of sales	(12,976)	(15,685)	(18,100)	(20,466)	(23,047)
Gross profit	3,931	4,910	5,779	6,435	7,125
Operating expenses	(954)	(1,186)	(1,393)	(1,595)	(1,827)
Operating Profit	2,978	3,724	4,386	4,840	5,298
Other Income	-	-	-	-	-
Financial charges	(1,559)	(1,805)	(1,894)	(1,500)	(1,447)
Profit before tax	1,418	1,919	2,491	3,340	3,851
Taxation	(169)	(206)	(239)	(269)	(302)
Net Profit	1,249	1,713	2,253	3,071	3,549

## 7.3 Projected Balance Sheet

Condensed Balance Sheet (PKR mn)					
	2010P	2011P	2012P	2013P	2014P
Current assets	14,876	18,237	20,779	20,559	23,156
Fixed assets	5,449	5,382	5,307	5,219	5,116
<b>Total assets</b>	<b>20,325</b>	<b>23,619</b>	<b>26,085</b>	<b>25,778</b>	<b>28,272</b>
Current liabilities	10,314	12,463	13,237	10,430	9,907
Long-term Loans	728	416	194	84	83
<b>Total Liabilities</b>	<b>11,041</b>	<b>12,879</b>	<b>13,431</b>	<b>10,513</b>	<b>9,990</b>
Tier 1 Equity	6,812	8,269	10,183	12,794	15,811
Surplus on Revaluation of Assets	2,471	2,471	2,471	2,471	2,471
<b>Total Equity</b>	<b>9,283</b>	<b>10,740</b>	<b>12,654</b>	<b>15,265</b>	<b>18,282</b>
<b>Total Equity and Liabilities</b>	<b>20,325</b>	<b>23,619</b>	<b>26,085</b>	<b>25,778</b>	<b>28,272</b>

## 7.4 Key Ratios

	2010P	2011P	2012P	2013P	2014P
Sales Growth	19.74%	21.81%	15.95%	12.66%	12.16%
COGS Growth	20.92%	20.87%	15.40%	13.08%	12.61%
GP Margin	23.25%	23.84%	24.20%	23.92%	23.61%
Operating Margin	17.61%	18.08%	18.37%	17.99%	17.56%
NP Margin	7.39%	8.32%	9.43%	11.42%	11.76%
NPAT growth	35.66%	37.16%	31.46%	36.35%	15.57%
ROE	13.46%	15.95%	17.80%	20.12%	19.42%
ROA	6.15%	7.25%	8.64%	11.91%	12.55%
EPS	5.17	7.10	9.33	12.72	14.70
EPS Growth	35.66%	37.16%	31.46%	36.35%	15.57%
PER (x)	2.51	1.83	1.39	1.02	0.88
BVS (PKR)	38.44	44.47	52.40	63.21	75.70
P/BVS (x)	0.34	0.29	0.25	0.21	0.17
No of Shares	241	241	241	241	241

## 7.5 Key Assumptions

	2010P	2011P	2012P	2013P	2014P
<b>Sales Growth (Category wise)</b>					
Bed Sheets (Growth in Units)	13.00%	18.00%	10.00%	7.00%	5.00%
Bed Sheets (Price Increase)	5.50%	2.00%	2.00%	2.00%	2.00%
Bleached/Dyed/Printed Fabric (Growth in Units)	10.00%	13.00%	5.00%	5.00%	5.00%
Bleached/Dyed/Printed Fabric (Price Increase)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>COGS Growth (Category wise)</b>					
FABRIC Qty (Growth %)	20.00%	19.00%	14.10%	3.00%	5.00%
Fabric cost per MTR (Inc %)	12.00%	8.12%	7.80%	6.00%	6.53%
Yarn(Growth in Units)	5.00%	8.00%	1.00%	1.00%	1.00%
Yarn cost per KG (Inc %)	15.00%	10.00%	10.00%	5.00%	3.00%
<b>Balance Sheet Assumptions</b>					
Debtor days	103	125	128	90	90
Inventory days	220	200	190	190	190
Creditor days	20	22	22	22	22
<b>General Assumptions</b>					
PKR Depreciation (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Inflation rate (%)	6.00%	5.50%	5.50%	5.50%	6.00%
Terminal Growth rate	3.00%				