

**Gulistan Spinning Mills Limited**  
**Directors Report**  
**For the 1st quarter ended**  
**30<sup>th</sup> September 2009**

Dear Shareholders  
Assalam o Alaikum

Your Directors are pleased to present financial statements for the first quarter ended on 30<sup>th</sup> September 2009.

**Operating and Financial Performance**

The Company registered growth of 16.68% in net sales to Rs 58.892 million and decline of -5.07% in gross profit to Rs 3.188 million over same period last year. The gross profit margin remained at 14.49%. Due to strict control on operating expenses, the said expenses reduced from 3.68% of sales in first quarter last year to 3.08% of sales in quarter under review. The operating profit observed -59.27 % decreases on the back of decline in gross profit and control on operating expenses. The Financial cost has shown substantial rise of 15.25% attributed to increased borrowing requirements and rise in interest rate over corresponding period last year. Net profit after tax has dropped by 77.21% from Rs 8.050 million to Rs 1.833 million.

**Future Out look**

The Government have announced Textile Policy for the revival of this sector but the statutory notification to give effect to various incentives / objectives of the policy are still eagerly awaited. The volume of the cotton crop is still uncertain. According to estimation we expect about 12 million cotton bales, out of which it is estimated about 1 million bales would be exported as the exporters are in the market to purchase it. Continuous deterioration in our currency would provide the exporter an edge in exporting the local cotton. The local requirement of cotton is about 13.5 million bales. The deficiency of 3.5 million bales would be met by import which is quite costly. This is the reason that in the beginning of the cotton season the prices were Rs. 3,400/- per mound. Which is now around Rs. 3800/- per mound? Severe energy crises is being faced by the industry as the load shedding of gas which usually in the past started from December this year has started from the month of October. Under such adverse and beyond control circumstances nothing can be said about the future except that the Management would continue making its best efforts to keep the Company profitable by adopting all measures under its control and depending upon the relief provided by the Govt. to implement the textile policy

We would like to thank our customers, suppliers and bankers for their continued support and would like to place on record appreciation for the valuable services of our employees.

For and On behalf of Board of Directors

Karachi  
31-10-09

**(Tanveer Ahmed)**  
**Chief Executive**