

Paramount Spinning Mills Limited
Directors Review Report
For the half year ended 31st December 2008

Dear Shareholders
Assalam o Alaikum

Your Directors are pleased to present financial statements for the half year ended December 31st 2008 duly reviewed by the auditors.

Economic and Sector Environment

The Economic and business environment during the half year has been unfavorable on account of higher inflation, massive power shortage, increase in borrowing rates, minimum wages and gas tariff and declining demand due to economic slowdown in export markets. Declining business volumes coupled with power shortages and rising financial cost severely affected the textile business and many small and medium size textile units are at the brink of closure. Textile market has become extremely unpredictable and it is almost impossible to take long position in buying and selling.

Operating and Financial Performance

The Company despite difficult sector fundamentals has been successful in registering growth of 21% in sales and 25% in gross profit over same period last year. The gross profit margin improved to 15% from 14.5% in corresponding period last year. Due to strict control on operating expenses, the said expenses has been reduced to 6.8% of sales in corresponding period of last year to 5.8% of in the period under review. The improved gross profit and control on operating expenses led to 34% rise in operating profit. The Financial cost has shown substantial rise of 19.7% over corresponding period last year attributed to higher short term borrowings to meet working capital requirements and 5% points higher 6MKIBOR over corresponding period last year.

Future Out look

Although your company has withstand all economic challenges and achieve reasonable profits so far, however in view of deteriorating economic and industry conditions such as rising interest rates, production loss due to massive electricity and gas load shedding, dropping export orders due to global economic slowdown, it becomes really difficult to maintain profitability in Textile business. We strongly feel that if appropriate measures would not be taken by the Government to reduce cost of doing business particularly financial cost then in present environment of shrinking profitability margins, it would be difficult for textile industry to survive.

Under these adverse circumstances your management is making its best efforts to keep the company profitable through exercising better control on input costs and improvement in operating efficiencies.

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

(Naseer Ahmed)
Chief Executive

Karachi
28-02-09