

**Paramount Spinning Mills Limited**  
**Directors Report**  
**For the 3<sup>rd</sup> Quarter and 9 months**  
**ended 31<sup>th</sup> March 2009**

Dear Shareholders  
Assalam o Alaikum

Your Directors are pleased to present financial statements for the 3<sup>rd</sup> quarter and 9 months ended March 31, 2009.

**Economic and Sector Environment**

The Economic and business environment during the periods has been unfavorable on account of higher inflation, massive power shortage and weak demand from the US and Europe and Credit crunch for general consumers. Declining business volumes coupled with power shortages and higher financial cost severely affected the textile business.

**Operating and Financial Performance**

The Company despite difficult sector fundamentals has been successful in registering growth of 11% in sales and 23% in gross profit in accumulative 9 months over same period last year. The gross profit margin improved to 15% from 13%. Due to strict control on operating expenses, the said expenses reduced from 5.6% of sales in corresponding period last year to 5.5% of sales in 9 months period under review. The improved gross profit and control on operating expenses led to 31% rise in operating profit. The Financial cost has shown substantial rise of 24% over corresponding period last year mainly on account of higher short term borrowings to meet enhanced working capital requirements and higher KIBOR rate over corresponding period last year. In spite of better gross profit the bottom line is shrunk due to high financial charges.

**Future Out look**

The deteriorating economic and industry conditions such as rising interest rates, production loss due to massive power load shedding, dropping export orders due to global economic slowdown has made it really difficult to maintain profitability in Textile business. We strongly feel that if appropriate measures are not 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 be competitive. Government must chalk out a long term textile policy.

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

Karachi  
30-4-09

(Tanveer Ahmed)  
Chief Executive