

**Paramount 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 2% in net sales to Rs 752.7 million from Rs 738.75 million of same quarter last year. The gross profit dropped by 5% from Rs 112.39 to Rs 107 million mainly due to usage of expensive inventory of cotton in quarter under review. However gross profit margin remained at decent level of 14% during the quarter under review. Despite of inflationary pressures, company maintained strict control on operating expenses which resulted a drop in such expenses. The operating profit dropped by 5% from Rs 74.46 million in first quarter last year to Rs 70.92 million in quarter under review. The Financial cost increased by 6% over the same quarter last year. Net profit before tax dropped by 30% from Rs 16.84 million to Rs 11.77 million.

**Future Out look**

The Govt 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 2.5 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

(Tanveer Ahmed)  
Chief Executive

Karachi  
31-10-09