

Paramount Spinning Mills Limited
Directors Report
For the 1st quarter ended
30th September 2008

Dear Shareholders
Assalam o Alaikum

Your Directors are pleased to present financial statements for the first quarter ended on 30th September 2008.

Economic and Sector Environment

The Economic and sector environment during the quarter under review has been very tough. Economy remained under pressure on account of global economic slow down and deteriorating economic and law and order situation at home. In Textile Sector, Cost of doing business has been consistently rising on account of increase in input cost due to rupees devaluation, extra-ordinary increase in fuel cost and interest rates, abnormal volatility in cotton and yarn market, spiraling inflation and continuous power load shedding.

Operating and Financial Performance

The Company despite of difficult sector fundamentals, has been successful in registering substantial growth of 34% in sales and 33.97% in gross profit over same period last year. Due to better control on operating expenses, the said expenses decreased to 5.13% of sales in quarter under review from 6.65% of sales in first quarter last year. The Financial cost has shown substantial rise of 19.13% mainly attributed to huge rise in 6MKIBOR over corresponding period last year. Net profit on the back of healthy growth in gross profit has increased to Rs 14 million from loss of 1.1 million (exclusive of Rs.35.8 million gain on sale of shares) in first quarter 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, liquidity crunch, 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. Your management is seriously considering different diversification options in order to generate relatively certain streams of income.

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

(Tanveer Ahmed)
Chief Executive

Karachi
31-10-08