

# D.M TEXTILE MILLS LTD

## DIRECTORS' REPORT

Dear Shareholders,

The Directors present before you the interim condensed financial statements for the Half Year Ended 31<sup>st</sup> December 2008 and append below the financial results.

### 1. Net Loss

The company suffered a net loss of Rs 11.533 Million during the period as compared to net loss of Rs. 3.298 Million of previous period.

Sui Northern Gas Pipelines Ltd (SNGPL) disconnected captive Power gas supply w.e.f 20-09-2008 to 31-12-2008 and mill closed for 53 days and after that gas restored on 20-02-2009.

Mills operation on WAPDA was not feasible due to load shedding and excessive increase in B.III tariff Rs.11.90 in peak hours and Rs.5.90 in off peak hours per unit. Subsequently these rates were decreased to Rs.8.46 and Rs.4.69 for peak and off peak hours respectively. Sui gas increased rates from Rs. 329.54 to Rs. 352.61 per MMBTU i.e 7% w.e.f 1-1-2009.

State Bank increased KIBOR rates to 15% whereas spread rate ranging from 1.5% to 5.75% per annum an added factor to increase textile crises.

All Pakistan Textile Mills Association represented to the Govt of Pakistan for grant of relief but no concrete steps taken to save textile industry.

### 2- Comparative Financial results are given below:

Half year Ended	31-Dec-08	31-Dec-07
Particulars	Rupees in thousands	
Gross Sales	380,235	403,411
Cost of Sales	371,846	369,705
Gross Profit	8,389	33,706
Gross Profit Rate %	2.21	8.36
Admin, Selling & Other operating expenses	9,611	14,389
Other operating income	860	1,047
Financial Cost	24,728	26,795
Profit/ (loss) before taxation	(25,091)	(6,432)
Provision for Taxation	13,557	3,134
Net Profit/ loss after Taxation	(11,533)	(3,298)
Earning & Loss per share, Basic & Diluted	(3.78)	(1.08)
Breakup Value per share (Inclusive of revaluation reserve)	179.83	189.74

3. Gross Sales decreased by 5.75 % where as Cost of sales increased by 0.58 %

4. Average yarn sale rate per kg increased by 22.86 % where as raw material consumed rates per kg increased by 27.83 % as compared to previous period.

#### **5. Yarn Productions**

<b>Period Ended</b>		<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
Actual production	Million Kgs	2.109	2.871
Converted production with 20's	Million Kgs	5.281	7.338
Average count spun	No.	36.84	37.35
Yield	%age	92.76	93.58

#### **6. Debt Servicing**

The company paid installments of loan to the financial institutions except overdue of Rs. 37.777 Million in note no. 7 of long term finances and Rs 20.655 Million in note no. 8 of liabilities against assets subject to finance lease. We applied to the commercial bank/leasing Companies for rescheduling and moratorium. The overdues included in current liabilities affected the current ratio of the company. We applied to the State Bank of Pakistan through Commercial Banks for relaxation of current ratio due to financial crisis.

#### **7. Dividend**

The Directors have not recommended any dividend due to losses.

#### **8. Prospects and Plans**

The spinning sector is badly affected due to Textile crisis. Energy crisis and increase in tariff aggravated the situation. The company suffering from production losses due to load shedding. The management is taking all possible measures for operations of the Mills efficiently and to control expenses to minimum level as far as possible.

#### **9. Annual General Meeting.**

The Annual General Meeting of the Company was held on 31<sup>st</sup> October 2008 and the special resolution regarding investment in associated undertaking was not approved.

#### **10. Remarks in Auditors' review to the Members.**

Attention is invited to Auditors' opinion in last Para of their review report and clarify that the textile industry is in severe financial crises and the factors has been explained above. The management will try level best to improve deficiency of accounting ratios.

*For and behalf of the Board of Directors*

Habib Ullah  
Chief Executive

Hussain Ahmad Qureshi  
Director

Rawalpindi: February 23, 2008