

# 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 2009 with auditors review to the members and append below the financial results.

### 1. Net Profit (Loss)

The company earned a net profit of Rs 4.423 Million during the period ended 31.12.2009 as compared to net loss of Rs. (11.533) Million of previous period ended 31.12.2008.

The textile industry is still facing severe financial crises due to non implementation of textile policy. The markup rates are increasing due to linkage with KIBOR. The input cost is increasing specially raw material, power tariff and sui gas tariff. Energy crises are at its peak and SNGPL initially decided to close two days in a week but subsequently changed to three days closure and three days operation on sui gas captive power, whereas, WAPDA is load shedding 6 hours from 05:00PM to 11:00PM. Gas supply shutdown from October, November and December was for 20 days approximately and is still continuing. As compared to this, load shedding of sui gas captive power was for 53 days from 21.09.2008 to 31.12.2008.

The Sui Gas tariff increased by 18% from 01.01.2010 from Rs. 324.30 to Rs. 382.67 per MMBTU. WAPDA tariff increased by 6% from 01.10.2009. Off peak hours rate from Rs. 4.73 to 5.08 per unit. Peak hours from Rs. 8.61 to Rs. 8.84 per unit. WAPDA tariff increased by 12% w.e.f. 01.01.2010.

### 2. Comparative financial results are given below:

Half year Ended	31-Dec-09	31-Dec-08
Particulars	Rupees in thousands	
Gross Sales	444,482	380,235
Cost of Sales	(410,209)	(371,846)
Gross Profit	34,273	8,389
Gross Profit Rate %	7.71	2.21
Admin, Selling & Other operating expenses	(15,406)	(9,611)
Other operating income	4,182	860
Financial Cost	(23,462)	(24,728)
Profit/ (loss) before taxation	(413)	(25,091)
Provision for Taxation	4,836	13,557
Net Profit/(loss) after Taxation	4,423	(11,533)
Earning/(Loss) per share, Basic & Diluted (Rs.)	1.45	(3.78)
Breakup Value per share (Inclusive of revaluation reserve) (Rs)	162.24	179.83

3. Gross Sales increased by 16.90% where as Cost of sales increased by 10.32%
4. Average yarn sale rate per kg increased by 6.50% where as raw material consumed rates per kg decreased by 2.26% as compared to previous period.

**5. Yarn Productions**

<b>Period Ended</b>		<b>31 Dec 2009</b>	<b>31Dec 2008</b>
Actual production	Million Kgs	2.445	2.109
Converted production with 20's	Million Kgs	6.136	5.281
Average count spun	No.	36.87	36.84
Yield	%age	92.32	92.76

**6. Debt Servicing**

The company paid installments of loan to the financial institutions except overdue of Rs. 51.944 Million in note no. 7 of long term finances and Rs 6.536 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. Leasing companies have rescheduled loans and granted one year moratorium. The overdues included in current liabilities affected the current ratio of the company.

**7. Dividend**

The Directors have not recommended any dividend due to losses.

**8- Directors granted specific approval regarding following transactions/ Adjustments incorporated in the interim financial statements:**

Property, plant and equipment	Rupees
• Additions (Owned)	102,400
• Cost of deletions	1,503,376
Capitalization of borrowing cost in lease finance	13,462,479
Chief Executive Remuneration	1,200,000
Provision for gratuity	115,630
Movement-Short term borrowings-net	(9,671,178)
Creditors over 3 years written off	3,838,955

Directors granted general approval of following transactions in the interim financial statements.

- A- Sales of fixed assets through negotiation especially if the cost of assets exceeds Rs. 100,000 u/s 196 of the companies ordinance 1984.
- B- Approval of expenditure including capital expenditure especially if it exceeds Rs. 1 million as required u/s 196 of the companies ordinance 1984.
- C- Loans taken by the company and mark up paid there on.

D- Advances given in Note 12 and other advances to meet requirements of the company.

9. Resolution passed by circular u/s 67 of the Articles of Association of the company to meet the exigencies requirements of the company from 01.07.2009 to 31.12.2009 were ratified by the directors in the board meeting.
10. Approval of remuneration of Chief executive and working directors u/s 200 of the companies ordinance 1984 and article 53 of the company's Articles of Association by the board of directors. Following resolution was passed:

“Resolved that the directors hereby authorize the holding of office of profit and payment as remuneration to the chief executive not exceeding Rs. 2.4 million p.a. exclusive of perquisites such as company's maintained cars, residential telephone facility and medical facility etc. and residence at free of cost at House no. 8, Street. 71, F-8/3, Islamabad in guest house of the company.

The chief executive is authorized to grant annual increment and other benefits as per terms and conditions of the service rules of the company to whole time working directors aggregate remuneration was Rs. 830,690 for the year ended 30.06.2009”

**11. Prospects and Plans**

The spinning sector is badly affected due to Textile crisis. Energy crisis and tariff increase 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.

**12. Remarks in Auditors' review report to the Members.**

Attention is invited to Auditors' opinion in last para of their review report and clarify that the textile industry is in crises and the factors has been explained above. As regards deficiency of accounting ratios, efforts will be made to improve the same in future.

*For and behalf of the Board of Directors*

Habib Ullah  
**Chief Executive**

Hussain Ahmad Qureshi  
**Director**

Rawalpindi: February 22, 2010