

D.M. TEXTILE MILLS LTD

DIRECTORS' REPORT

Dear Shareholders,

The Directors present before you the interim condensed financial statements for the three quarters ended March 31, 2010 and append below the financial results.

1. Net Profit (Loss)

The company earned a net profit of Rs. 10.283 million during the three quarters ended on 31-03-2010 as compared to a Net (loss) of Rs. (29.181) million of previous three quarters ended on 31-03-2009.

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, (cotton maximum Rs.6,100 per mound and polyester Rs. 136 per Kg.). 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 load shedding was for 6 hours from 05:00PM to 11:00PM. Gas supply shutdown from October to March 2010 was for 45 days approximately as compared to this, load shedding of sui gas captive power was for 116 days from 21.09.2008 to 31.03.2009. SNGPL has started captive power non supply once in a week presently.

WAPDA load shedding is unscheduled without limitation of time. WAPDA tariff increased by 6% from 01-10-2009. Off peak hours rate from Rs. 4.73 to Rs. 5.69. Peak hours from Rs. 8.61 to Rs. 9.90. WAPDA tariff again increased by 12% w.e.f. 01-01-2010. Further increase in WAPDA and Gas tariff is expected.

2. Comparative financial results are given below:

Period Ended	31.03.2010	31.03.2009
Particulars	Rupees in thousands	
Gross Sales	696,506	399,212
Cost of Sales	(642,157)	(398,988)
Gross Profit	54,349	224
Gross Profit Rate %	7.80	0.06
Admin, Selling & Other operating expenses	(21,071)	(12,598)
Other operating income	4,250	894
Financial Cost	(34,379)	(36,652)
Profit/ (loss) before taxation	3,150	(48,131)
Provision for Taxation	7,133	18,950
Net Profit/(loss) after Taxation	10,283	(29,181)
Earning/(Loss) per share, Basic & Diluted (Rs.)	3.37	(9.56)
Breakup Value per share (Inclusive of revaluation reserve) (Rs)	164.00	173.17

3. Gross Sales increased by 74.47% where as Cost of sales increased by 60.95%
4. Average yarn sale rate per kg increased by 13.26% where as raw material consumed rates per kg increased by 1.08% as compared to previous period.

5. **Yarn Productions**

Period Ended		31 March 2010	31 March 2009
Actual production	Million Kgs	3.687	2.365
Converted production with 20's	Million Kgs	7.876	6.048
Average count spun	No.	36.03	37.29
Yield	%age	90.75	91.67

6. **Debt Servicing**

The company paid installments of loan to the financial institutions except overdue of Rs. 55.486 Million in note no. 7 of long term finances and Rs 10.291 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 and will improve after rescheduling of loans from banks.

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)	485,544
• Cost of deletions	10,996,696
Capitalization of borrowing cost in lease finance	15,850,913
Chief Executive Remuneration	1,800,000
Provision for gratuity	1,835,311
Movement-Short term borrowings-net	(5,796,256)
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 31.03.2010 were ratified by the directors in the board meeting.

10. 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.

For and behalf of the Board of Directors

Habib Ullah
Chief Executive

Hussain Ahmad Qureshi
Director

Rawalpindi: April 26, 2010