



## DIRECTORS' REVIEW

The directors are pleased to report the performance of the Company for the quarter ended September 30, 2008.

During the period, the Company has improved its sales performance and has registered an increase in gross sales turnover of 46.8%. The gross profit has increased marginally by only 3.4%, due mainly to the rising cost of materials, the continuing devaluation of the Rupee, a significant increase in labour cost as well as in the cost of energy resources.

Due to these augmented manufacturing costs, the Company has also taken the needed price increases during the quarter. All categories of the business have recorded an increase in volume, in spite of these aggressive price hikes, endorsing the consumers' confidence in our brands.

Profit from operations and net profit after tax have contracted by 12.9% and 11.2% respectively, impacted by the substantial rise in manufacturing and operating cost, together with high inflation during the period. Despite these cost pressures, the management has been able to curtail expenses during the period, in terms of percentage to net sale; selling and distribution cost has reduced from 13.15% to 10.69%, while administrative expenses have reduced from 0.95% to 0.90%.

The volume growth together with the increase in material costs has led to an increased working capital requirement for the Company, resulting in a substantial increase in stock in trade and book debt balances at the end of the quarter. Furthermore, 35% cash margin requirement imposed by the State Bank of Pakistan on the opening of a letter of credit has also affected the cash and bank balances of the Company.

## FUTURE PROSPECTS

The management is focused on improving the overall performance of the Company by taking innovative cost curtailment measures. The Company has been resilient during the tough times of escalating cost and is confident to continue its strive for better results by developing its volume base, controlling costs and improving margins through aggressive business plans in the future.

## ACKNOWLEDGMENTS

The management takes this opportunity to thank to its consumers, customers, shareholders, suppliers, bankers and all other stakeholders for their continued trust, support and co-operation. We look forward to have more strengthened relationship and collaboration with them.

On behalf of Board of Directors

IQBAL ALI LAKHANI  
Chairman

Karachi : October 27, 2008