

Pakistan Synthetics Limited

DIRECTORS' REPORT

The directors are pleased to present third quarterly report together with the unaudited financial statements of the Company for nine months ended 31st March, 2006 to the shareholders of the Company in accordance with Section 245 of the Companies Ordinance, 1984.

PRODUCTION AND SALES

During the quarter under review, the Company produced 5,653 tons of polyester fibre as against 1,290 tons in the corresponding quarter last year. Total production of polyester fibre and chips during nine months ended 31st March, 2006 was 17,277 tons and 324 tons respectively as against 12,137 tons and 1,850 tons in the corresponding period last year. The sales volume of polyester fibre and chips during the quarter ended 31st March, 2006 were 5,000 tons and 50 tons respectively as compared to 4,250 tons and 451 tons in the corresponding quarter last year. The overall sales volume of polyester fibre and chips during the period were 15,496 tons and 339 tons respectively as compared to 13,584 tons and 1,785 tons in the corresponding period last year.

FINANCIAL RESULTS

The demand of polyester fibre in domestic down stream textile industry has continued to remain sluggish during the quarter under review. Moreover, foreign suppliers were dumping polyester fibre in the country at uneconomical price in view of the tariff reduction from 20% to 6.5%. Due to this unfair competition, the local manufacturers could not pass on impact of cost escalation. Polyester Staple Fibre Manufacturers Group has approached the concerned authorities to address the issue on priority basis and save the local industry from further losses and to maintain momentum for its further growth.

Net sales decreased to Rs. 408 million during 3rd quarter ended 31st March, 2006 and to Rs. 1,288 million during nine months ended 31st March, 2006 (2005: Rs. 416 million and Rs. 1,293 million respectively). The Company earned gross profit of Rs. 8 million during the quarter under review as against gross loss of Rs. 30 million in the corresponding quarter last year.

The Prices of PTA & MEG remained volatile, the prices of MEG decreased during the period under review as compared to last year. Moreover, as mentioned earlier in half yearly report that due to removal of custom duty of 15% on PTA and 10% on MEG from June, 2005, cost of raw material consumed per ton of fibre produced decreased as compared to the corresponding period last year.

The Company's overall performance for nine months ended 31st March, 2006 has improved as compared to last year. The Company earned a gross profit of Rs. 63 million as against a gross loss of Rs. 27 million in the corresponding period last year. Profit before tax stood at Rs. 28 million as against loss before tax of Rs. 62 million in the corresponding period last year.

Earning per share of Rs. 10/- each for nine months ended 31st March, 2006 was Re. 0.52 as compared to loss per share of Re. 0.97 in the corresponding period last year.

FUTURE OUTLOOK

The future prospects of fibre industry will depend on the demand of domestic fibre by the downstream textile industry and the prices of PTA and MEG in international market vis-à-vis anti-dumping measure to be taken by the Government against suppliers of polyester fibre at below cost from the Far Eastern Countries. Keeping in view the looming oil crisis, which caused crude oil prices to touch US \$ 75 per barrel, the prices of PTA and MEG are expected to increase in the ensuing quarter. In the meantime, the management is trying its best by taking various de-bottlenecking steps to improve quality of polyester fibre and to reduce the cost to improve the operating performance of the Company.

For and on behalf of the Board of Directors

Karachi: 26th April, 2006

UMER HAJI KARIM
CHIEF EXECUTIVE

PAKISTAN SYNTHETICS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	EBRAHIM HAJI KARIM – CHAIRMAN UMER HAJI KARIM – CHIEF EXECUTIVE HAROON HAJI KARIM ANWAR HAJI KARIM YAKOOB HAJI KARIM AHMED EBRAHIM PIR MUHAMMAD A. KALIYA SHAHID ANWAR
AUDIT COMMITTEE	PIR MUHAMMAD A. KALIYA – CHAIRMAN YAKOOB HAJI KARIM AHMED EBRAHIM
CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY	M. SALEEM AZIZ
BANKERS	HABIB BANK LIMITED HABIB BANK AG ZURICH CITIBANK N.A. METROPOLITAN BANK LIMITED BANK AL-HABIB LIMITED NATIONAL BANK OF PAKISTAN BANK ALFALAH LIMITED MEEZAN BANK LIMITED
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS
LEGAL ADVISOR	TASAWUR ALI HASHMI - ADVOCATE
REGISTERED OFFICE	3RD FLOOR, KARACHI DOCK LABOUR BOARD BUILDING, 58-WEST WHARF ROAD, KARACHI-74000
FACTORY	F. 1, 2, 3, & F. 13, 14 & 15, HUB INDUSTRIAL TRADING ESTATE, DISTRICT LASBELLA, BALOCHISTAN

5. CONTINGENCIES AND COMMITMENTS	31 March 2006 (Rupees in '000)	30 June 2005
i) Bank guarantees issued in favour of Sui Southern Gas Company Limited, on behalf of the company	25,667	25,667
ii) Facility for opening letter of credit and guarantees	630,000	630,000
iii) Commitments in respect of letter of credit regarding capital expenditure	81,000	-

6. PROPERTY, PLANT AND EQUIPMENT

Following is the cost of operating property, plant and equipment that have been added / disposed off during the third quarter ended 31 March 2006.

	Additions (Rupees in '000)	Disposals
Plant and machinery	5,238	25,753
Vehicles	8,762	892
Furniture and equipments	75	-
Computer accessories	21	-
	14,096	26,645

7. STOCK-IN-TRADE

	31 March 2006 (Rupees in '000)	30 June 2005
Raw and packing materials [including items in-transit Rs. 0.089 million (30 June 2005: Rs. 4.310 million)]	65,807	109,725
Work-in-process	7,095	8,962
Finished goods	295,338	162,326
	368,240	281,013

8. CASH FLOWS FROM OPERATING ACTIVITIES

	31 March 2006 (Rupees in '000)	31 March 2005
Profit / (Loss) before taxation	28,429	(61,899)
Adjustments for non cash charges and other items		
- Depreciation	57,347	57,896
- Provision for staff gratuity	3,448	3,968
- Profit on disposal of property, plant and equipment	(6,954)	(542)
- Finance cost	7,174	7,043
- Provision for slow moving stores and spares	6,000	-
- Provision for doubtful debts-net	1,936	3,991
	68,951	72,356
Profit before working capital changes	97,380	10,457
Working capital changes		
(Increase) / decrease in current assets		
- Stores and spares	(23,592)	(2,536)
- Stock in trade	(87,227)	79,195
- Trade debts	971	(50,916)
- Loans and advances	(5,081)	(1,261)
- Trade deposits and short term prepayments	(1,033)	(840)
- Other receivables	51,023	(1,093)
	(64,939)	22,549
Increase / (decrease) in current liabilities		
- Trade and other payables	(43,967)	(74,658)
Cash (used in) / generated from operations	(11,526)	(41,652)