


SPINNING & WEAVING MILLS LTD

OSWM/KSE/01/2009

January 5, 2009

Mr Haroon Askari,
General Manager Operations
Karachi Stock Exchange (Guarantee) Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: **SHOW CAUSE NOTICE**

Dear Sir,

With reference to your letter no.KSE/Gen-11507, dated December 17, 2008 regarding violation of the Listing Regulation No. 32(1) (b) for failure to declare dividend, Kindly note that we are striving for survival of textile industry which is in serious crisis and most of medium size textile facing heavy losses. The main reason for this is high inflation rate, increasing cost of cotton (local & imported), utilities and labor that will add additional short term borrowing for which we are paying high markup and stiff competition in local and International markets. Our profitability history for last five years is as follows:

	2008	2007	2006	2005	2004
	RUPPES IN MILLION				
Net Profit/(loss)	(15.028)	(34.010)	1.661	18.404	(17.855)
Right Share	-	400%	-	-	-
Capital Investments	9.208	96.513	118.60	401.83	116.311

In December 2004, our Raw cotton stock worth 566 million was destroyed by fire that heavily dampened our profitability as well our competitive advantage of holding comparatively low cost cotton. This loss destroyed our one year stock & it took many years to absorb this loss completely & now we striving to become profitable again.

During the last five years as you can see from above figures the company invested heavily on Capital expenditures mostly on upgradation of Plant & Machinery and expansion of our existing capacity. The markup on these investments if not paid will definitely be available for distribution but unfortunately rising inflation rate, markup rates and utilities compounded by very tough competition in International & local market, the required return on these investments could not be achieved.

Despite above reasons our losses starts to declined & we will attain profitability in few years. Olympia Spinning also issues Right shares at 400% at par which indirectly also have bonus shares elements. At that time the market value of our shares was at Rs 11.5/share. All the shareholders during 2007 subscribed for that issue & realize profit on sale of right shares.



Head Office: E-3, Farzana Building, 1st Floor, Block-7 & 8, Shaheed-e-Millat Road, Karachi-75350, Pakistan.

Phones (PABX's): 4536235-4522657-4525720-4541690 **Fax:** (021) 4546263 **Email:** info@olympiaspinning.com

Mill: H-23/3, Landhi Industrial Area, Landhi, Karachi, Pakistan **Phones:** (92-21) 5080923 - 5080924 - 5080925 **Fax:** (92-21) 5080926

0 1 5 0 1 0 0 0 0 0 0 0