

**THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED**

KSE/N-188

**NOTICE**

January 12, 2009

Reproduced hereunder letter received from **SARGODHA SPINNING MILLS LIMITED** for information of members of the Exchange

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**Sargodha Spinning Mills Limited**

Registered Office: A-601/B, City Towers, 6-k, Main Boulevard, Gulberg-II, Lahore.  
Ph: (042) 5788758-59 Fax: (042) 5788718 E-mail: shadstm@brain.net.pk

Ref : SSM/KSE-32

Date: 06-01-2009

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

Subject: REPLY TO YOUR SHOW CAUSE NOTICE UNDER LISTING REGULATION NO. 32.

Dear Sir,

Please refer to your show cause notice under the listing regulation No. 32 bearing reference No. KSE/Gen-11507 dated December 17, 2008 received in the office on December 19, 2008 regarding "Failure to declare divided and/or bonus shares for five years and accordingly the company is liable for action under Regulation No. 32(1) (b)".

We submit that the company started its operation in 1992 and since that the severe textile crisis has caught the company along with more than 95% of textile spinning units. The textile industry remained under the acute crisis during the year 1992 to 1999 and deteriorated because of stagnancy of recession in the international market & currency and financial crisis in South East Asian countries. The exports were declined drastically which has ultimately affected the domestic market coupled with dwindling cotton situation in the indigenous source, resultantly the company suffered accumulated loss of Rs. 744.320 million. The main factors for losses were the high cost of raw material; excessive charges of fuel & power, Govt. levies, continued depletion in the value of rupee, acute shortage of working capital and higher financial cost & recession in the international market.

In the year 2000 to 2006 due to reasonable prices of raw materials, reduction in financial cost and improved market conditions coupled with company's continued efforts towards cost control, higher efficiency and effective marketing the company has reduced its accumulated loss from Rs. 744.320 million to Rs. 356.930 million which further accumulated in 2007 & 2008 to Rs. 516.270 million.

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