

Reproduced hereunder letter received from **KARACHI ELECTRIC SUPPLY COMPANY LIMITED** for information of members of the Exchange.

Karachi Electric Supply Company Limited

(Formerly: Karachi Electric Supply Corporation Limited)



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The Secretary
Karachi Stock Exchange (G) Ltd.
Stock Exchange Building
Off I.I. Chundrigar Road
Karachi

Re: Regulation 32(1)(b)(ii) - Show Cause Notice

Dear Sir,

We refer to your letter No.KSE/Gen-8704 dated 10 October 2005 and subsequent correspondence exchanged on the subject during last couple of years. Our response dated 16 December 2006, requesting a waiver of the application / enforcement of Regulation 32(1)(b)(ii) of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for a minimum period of three years and your letter dated 3 June 2007, whereby you allowed us an extension of waiver for only one year up to 31 December 2007. Our response dated 21 August 2007 requesting for a waiver for a period of three (3) years up to 31 December 2010 and your letter dated 11 December 2007 allowing a one year extension of waiver up to 31 December 2008.

In respect of the above matter, we would like to draw your attention to the following facts, namely:

1. The Karachi Electric Supply Company Limited (the Company) had been incurring massive losses for the last more than ten years before its privatization in November 2005, ranging from Rs.6.7 billion to Rs.17 billion per annum. As a result the Government of Pakistan (GOP) was compelled to provide an average annual subsidy of Rs.8.5 billion to meet operational cash shortfall of the Company. However, from November 2005 onwards GOP has not been paying to KESC any subsidy to finance operational cash shortfall of the Company which translates into direct annual average financial saving of Rs.8.5 billion to the public exchequer / GOP. It was known and understood that sufficient time period would be required for a Company which had been facing grave financial, technical, operational and other difficulties for such a longer period of time, to stage a turn around.
2. Post-privatization, responsibility of managing the Company was distributed between Operations Management and Corporate Management. Siemens Pakistan was engaged under an Operation & Management Agreement dated 14 December 2005 with singular focus to develop the processes and skills necessary to optimally utilize the Company's resources for technical enhancement, improved billing processes, automation and staff development in order to achieve the main objective of O&M agreement which was to make the Company profitable in a period of two (2) years. Unfortunately Siemens