

Imperial Sugar Limited

Mr. Hafiz Maqsood Munshi
Manager
Companies & Securities Compliance – RAD
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
KARACHI - 74000

Ref. #: ISL-PSX/19/064

June 18, 2019

Dear Sir

SUBJECT: PLACEMENT OF THE COMPANY IN THE DEFAULTERS' SEGMENT UNDER CLAUSE 5.11.1.(b) OF THE PSX REGULATIONS

We refer to your letter No. PSX/Gen-2400 and Notice No. PSX/N-686 and PSX/Gen-2577 dated 30 May 2019 and June 17, 2019 respectively on the captioned matter.

By way of the aforesaid letter, we have been instructed to keep apprising the Exchange in the matter of resumption of business operations / commercial production in principal line of business and submit monthly progress report to the Exchange for dissemination to market participants.

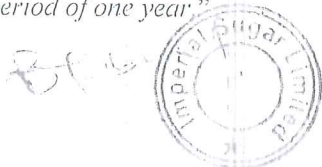
As explained to you in detail during the course of hearing on the subject matter conducted by you on 29 May 2019, we highlight again below the specific reasons as to why the requirement of PSX Regulations regarding commencement / resumption of commercial production / business operations is not applicable in the context of our Company.

We briefly explain you the facts of our case. The Company under the authority of resolutions of its shareholders duly passed in their Annual General Meetings is in the process of disposal of its assets and ultimate set up of an Independent Power Producer (IPP) Project of 225 MW, based on Liquefied Natural Gas (LNG) subject to regulatory approvals. Progress to-date is that the Company has disposed of assets of one of its two sugar units i.e. Mian Chanu Unit of the Company during the year ended 30 September 2017 and this asset sale transaction is a landmark in the history of sugar sector of Pakistan in terms of the total amount of the transaction. A significant chunk of sale proceeds has been invested in high return bank deposits after payment of significant liabilities of the Company, pending the disposal of remaining sugar unit of the Company. The Company is quite hopeful of striking a good deal for disposal of the remaining sugar unit of the Company and ultimately raise the required funds for commencement of the IPP Project.

You would agree that IPP Project cannot be housed / parked in the existing legal structure of the Company and a special purpose vehicle (wholly owned subsidiary) has to be incorporated for this purpose, as IPPs have specific debt equity ratios, resultant tariffs and regulatory compliances to make.

Hence, the Company i.e. Imperial Sugar Limited shall be a Holding Company as part of its future business plan and shall get only the return from its wholly owned subsidiary company.

We stress and clarify to all that the Exchange is wrongly interpreting the current state of the Company as "suspended commercial production / business operations in its principle line of business for a continuous period of one year."





Imperial Sugar Limited

We clarify here again that all stakeholders will continue to note the existing position till disposal of remaining sugar unit of the Company, investment of net sale proceeds of assets of the Company in special purpose vehicle (wholly owned subsidiary company) for IPP Project and ultimate earning of dividends from that wholly owned subsidiary company.

You would appreciate that Directors' Reports to the shareholders along with quarterly / annual accounts of the Company are already divulging necessary information / progress / updates to the stakeholders / public at large. Further, the Company is bound by law to disclose any material / price sensitive information concerning its business plan / progress on that business plan on its happening.

At this moment, the Company under the authority of resolutions of its shareholders duly passed in their latest annual general meeting is actively engaged in locating a buyer for remaining sugar unit of the Company at Phalia. The sugar unit is being actively marketed for sale at a price that is reasonable in relation to its current fair value. The management is taking every possible step to complete the sale transaction before January 2020 but at the same time shall ensure that the Company is able to fetch the best possible sale price for its remaining sugar unit. The expected net available funds from the sale of remaining sugar unit of the Company plus the funds already available with the Company (after disposal of Mian Chanu Unit) shall pave way for kick-off of business plan duly approved by shareholders of the Company. The notice of last annual general meeting of shareholders of the Company highlights the key statistics and timelines of the business plan duly approved by shareholders.

Based on the aforesaid, we request for withdrawal of the PSX Notice under reference and oblige.

Sincerely

IMPERIAL SUGAR LIMITED


COMPANY SECRETARY