Overview

A 100% Guaranteed Pledge fund for sugar has been structured for the first time in Pakistan for customers who are seeking a ‘ONE WINDOW’ solution. The novel concept is well-supported by our Group's well founded reputation of integrity & long standing business relationship with all its associates, in particular Financial Institutions.

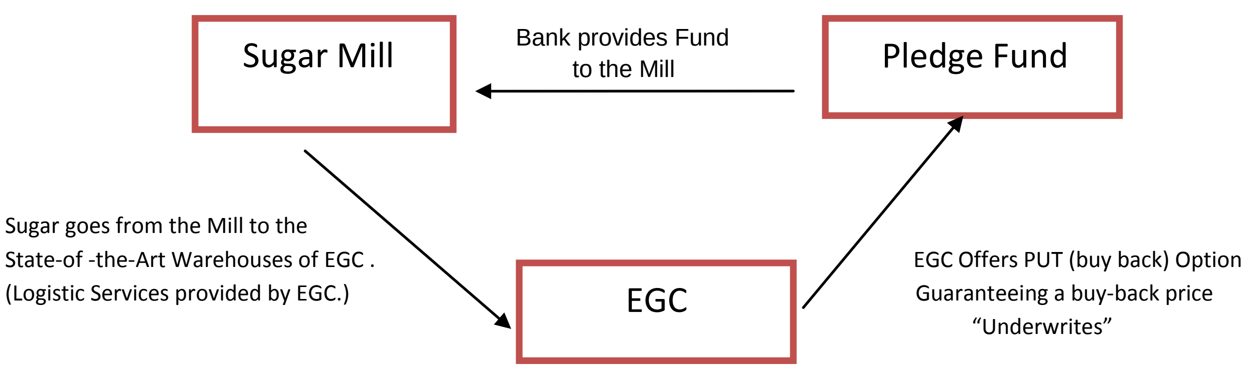
Transactional Structure

- EGC would have the right of refusal not to underwrite the Services to the ‘Sugar Pledge Fund’ at a cost of the services which will be borne by the client itself (incorporated in the logistics charges).

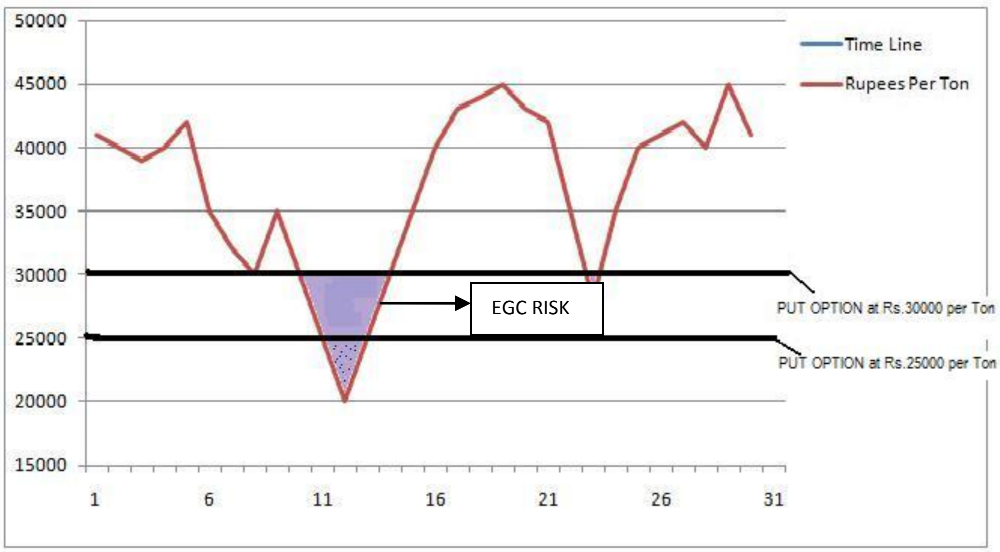
- A 2% Management Fee would be charged by the EGC to the ‘Sugar Pledge Fund’ prior to Musharaka profit distribution. As EGC has very high credit worthiness and mitigates risk on the Sugar Mill/ Pledge and the counter party

- Pledge Fund would have the First right of Refusal for any funding extended to the Sugar Mill via Stock / Sugar pledge

- If PUT Option is exercised for any reason then EGC would share 50% of upside as marketing commission.



RISK MATRIX



PUT OPTION

Minimum Period of Investment: 30 Days
Maximum Period of Investment: 120 Days

Cost Structure at Rs.30,000 per Ton****

Details	First Month	Subsequent Months
Transport* & labour	as per actual	
Warehousing charges***	Rs. 200 per Ton	Rs. 150 per Ton
Insurance. (SBP requirement)	Rs. 50 per Ton	RS. 30 per Ton
MIS and systems**.	Rs.100 per Ton	Rs.70 per Ton
Risk Cost	refer to risk matrix	
Total per ton.	Rs. 350	Rs.250

Risk Cost Matrix

Cost	Per Month
Rs.0-Rs.27,500	0
Rs.27,500-Rs.30,000	100 Per Month
Rs.30,000-Rs.32,250	150 Per Month
Rs.32250-Rs.35,000	250 Per Month

** Transport Cost would change as per destination requirement of the Client.*
*** If goods / pledge are not stored at Karachi - we would charge a premium of Rs 100 per ton .*
**** If Warehousing Facilities of EGC are not utilised (deal is being generated outside Karachi) EGC would charge a premium of RS.100 on its services.*
*****PUT OPTION is the price the EGC would underwrite / guarantee the banks to extend credit to its clients*

Responsibilities

The Bank

- Bank nominee will perform initial company (Sugar Mill) Due Diligence
- Prudential Compliance and Documentations to be provided and fulfilled by the bank.
- The Bank will act as an Administrator/ SPV for the ‘Pledge Fund’

EGC

- EGC would operate as the ‘Underwriter’ of the ‘Sugar Pledge Fund’
- EGC would be the sole provider for the Logistic Services (where the cost would be borne by the Client)
- EGC offers PUT (buy-back) option*
- EGC can provide services in Inventory management reporting
- Quality assurance is given by EGC
- Independent monitoring & vigilance.

Figure 1: Graphical Presentation Exercising PUT OPTION at Rs.25000 per Ton and at Rs. 30000 per Ton

A simple process will help you to understand how the risk would be transferred from The Bank to EGC thus guaranteeing a 100% risk free transaction by providing a buy back price.

PUT OPTION Rs. 25000 per Ton Sale Price Rs. 35000 per Ton	⇒	Bank Rs. 25000 EGC Rs. 25000 Client Rs. 25000

- Incase the price per Ton goes below 25000 up to 20000 then the shaded area indicates EGC Risk. EGC will return Rs. 25000 to the bank and incur a loss of RS. 5000 respectively.

In the Second Scenario

PUT OPTION Rs. 30000 per Ton Sale Price Rs. 20000 per Ton	⇒	Bank RS. 30000 EGC Rs. (10000)

- At a PUT OPTION of Rs. 30000 per Ton if the price falls below the given price EGC will bear the risk likewise.