

December 29, 2004

The Governor,
State Bank of Pakistan,
State Bank of Pakistan Building,
I.I. Chundrigar Road,
Karachi.

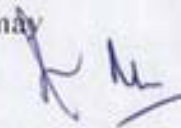
Dear Sir,

Request for grant of exemption from the applicability of Prudential Regulations for restructuring of Pakland Cement Limited (PCL) and Saadi Cement Limited (SCL).

Both Pakland & Saadi Cement projects have undergone a challenging phase during the last one-decade, witnessing numerous delays in project implementation and the ensuing re-structuring. The last re-structuring, which in the year 2001 got manifested through Scheme of Arrangement entailing three series of Term finance Certificate issues could not be honored as well. Consequently lenders/creditors' confidence on track record and integrity of sponsors got seriously waned, coercing the former to impress upon the latter to spin-off either one or both the cement projects along with 3rd party mortgaged properties. In May 2004, the Dewan Mushtaq Group acquired the controlling shares of the two companies.

After exhaustive negotiations, Dewan Group with creditors' consent have agreed to repay the entire principal amount (reflected through TFC 'A' and 'C') and 30% of the accrued markup for the period 1995-00 (reflected through TFC 'B'). Accordingly a revised Scheme-of-Arrangement (SOA) duly filed in the Sind High Court got approved on December 23, 2004. This was on the back of 88% of total creditors of PCL and 97% of SCL supporting the said SOA.

In order to facilitate Dewan Group and to enable creditors to materialize the revised rescheduling/ restructuring transaction as per the new SOAs, we, the creditors, request for the following exemptions/waivers:

1. Exemptions allowed to the first restructuring vide SBP letter reference No. BSD/RU-20/121-06 (PR-1) / 12604/2001 (copy attached) be extended to the new restructuring envisaged in the revised SOA.
 2. The Banks and DFI's be permitted to reclassify / book their existing exposure as loans / advances in accordance with IAS 39 and the provisions of Regulation 8 of Prudential Regulations rather following BSD Circular No.36 dated October 10, 2001 which require that all TFCs to be disclosed as investment. Besides, classification as investment could also entail serious tax complications in future.
 3. Exemption from Prudential Regulations R-1 which requires banks / DFIs to cap their total (both funded and non-funded) exposures and funded exposures at 50% and 35% of their equity base respectively. This is because majority of banks and DFIs have already advanced significant amounts to Dewan Mushtaq Group. With the classification as advances to PCL and SCL under Dewan Mushtaq Group, the Group's exposure may exceed the specified limits for certain banks.
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4. Exemption from requirement of disclosure of information under Section 33A of the Banking Companies Ordinance, 1962 as the relief allowed in revised SOAs is out of suspended mark-up and does not have any effect on the banks / DFIs profit & loss accounts. The disclosure of information in the annexure to the financial statement would give an incorrect impression that Banks / DFIs have written-off a huge amount.

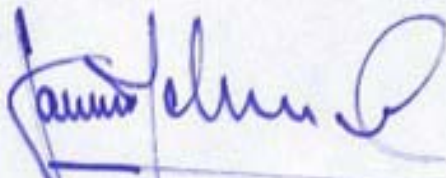
The above-mentioned waivers/ exemptions are pivotal for the successful implementation of SOAs and for the project to run smoothly and efficiently and with your constant support and encouragement we feel this complex transaction can be successfully accomplished.

As our financial year is ending on 31 December, 2004 and that the SOAs have already been approved, we look forward to a prompt and favorable response.

Thanking you.

Yours faithfully,

On Behalf of the Executive Committee (E.C.) of PCL and SCL.



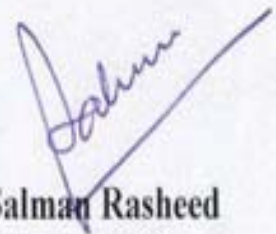
Javed Mahmood
Member E.C.

(On Behalf of National Bank
of Pakistan & other creditors)



Khalid S. Firmizey
Member E.C.

(On behalf of
Faysal Bank Ltd)



Salman Rasheed
Member E.C.

(Financial Controller
under SoA)