



# **Sukuk Case Studies**

**Mohammad Haris  
Meezan Bank Ltd.**



**Sukuk Al-Ijarah  
Government of Pakistan  
US\$ 600 Million  
January 2005**

## Sukuk Al Ijarah At inception



GOP

*GOP plans to raise finance through issuance of Islamic Sukuk.*

## Sukuk Al Ijarah At inception



NHA

GOP

*• NHA (a GOP entity) owns the identified Asset.*

# Sukuk Al Ijarah

## At inception



NHA

GOP

Issuer SPV  
(LLC 100%  
owned by GOP)

*SPV is created locally by GOP as a LLC.*

# Sukuk Al Ijarah

## At inception



NHA

GOP

Issuer SPV  
(LLC 100%  
owned by GOP)

Investors

Sale of the Asset

Cash proceeds

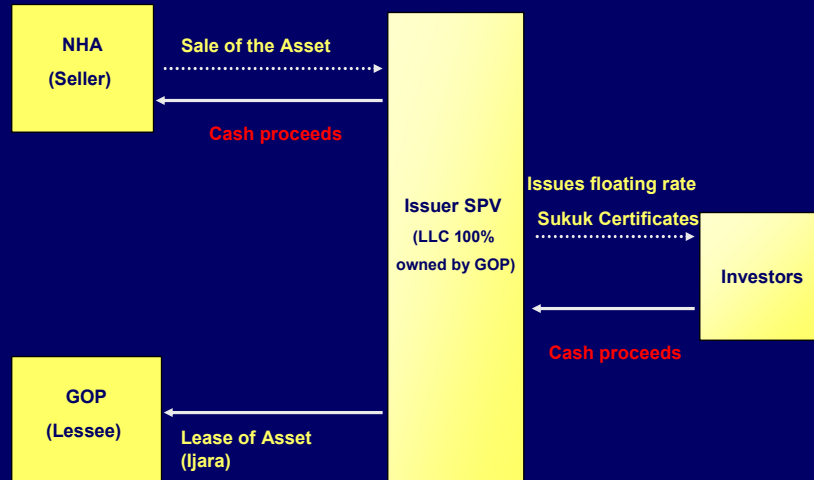
Issues floating rate

Sukuk Certificates

Cash proceeds

*Certificate proceeds (purchase price) paid to NHA (Seller).*

## Sukuk Al Ijarah At inception



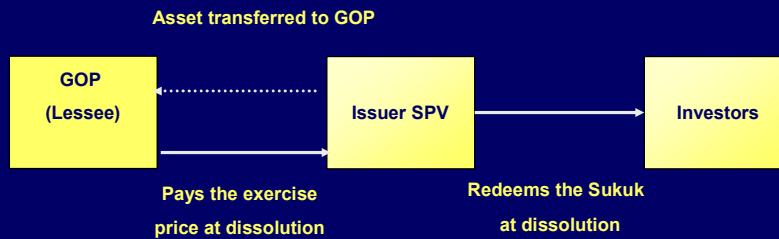
*SPV leases the Asset to the GOP (Lessee).*

## Sukuk Al Ijarah Periodic Distributions



*The GOP (Lessee) pays periodic rentals to the SPV*

## Sukuk Al Ijarah At Maturity



- *GOP (Lessee) pays to the SPV exercise price under an irrevocable purchase undertaking to purchase the Asset.*
- *SPV redeems certificates at face value.*
- *Asset is transferred on maturity to the GOP.*



**Sukuk Al Musharaka**  
**Sitara Chemical Industries Limited**  
**PKR 360 Million**  
**June 2002**

## Sukuk Al Musharaka At inception



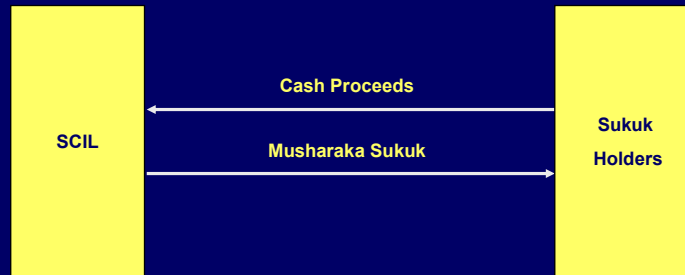
*SCIL plans to raise finance through issuance of Musharaka Sukuk to finance expansion of its Caustic Soda plant.*

## Sukuk Al Musharaka At inception



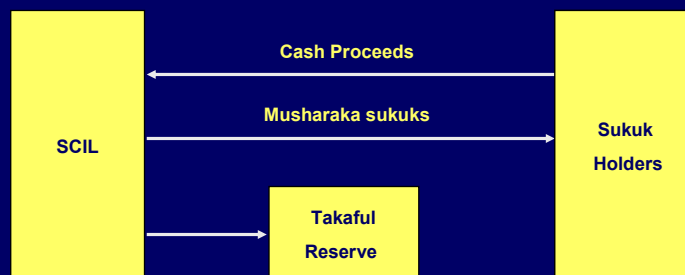
*A group of Financial Institutions (FIs) agree to finance expansion based on Profit & Loss sharing on Operating levels of Chemical Business.*

## Sukuk Al Musharaka At inception



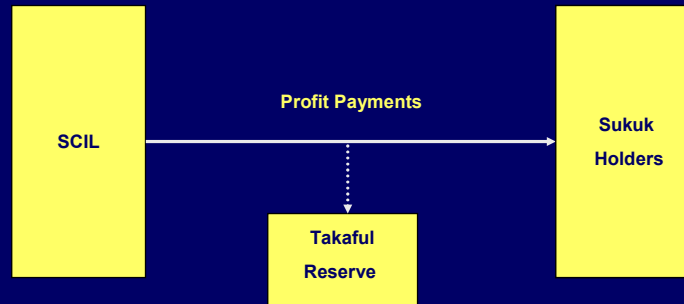
*SCIL issues Musharaka Sukuk in return for Cash proceeds from the investors.*

## Sukuk Al Musharaka At inception



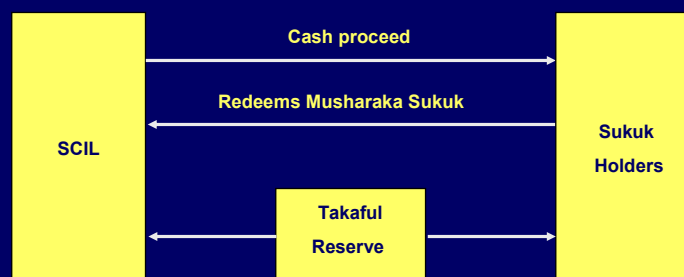
*SCIL contributes an amount (PKR 50mn) to create Takaful reserve and maintains it during the tenor of the Sukuk. In case of no loss during the Sukuk tenor, the amounts contributed to Takaful reserve will be paid back on final settlement.*

## Sukuk Al Musharaka Periodic Distribution



- SCIL pays periodic profit payments to Sukuk holders.
- A portion of profit share is contributed to the Takaful reserve which will be paid back to the holders at the time of final settlement/redemption.

## Sukuk Al Musharaka At Maturity



SCIL redeems the certificate.

At this time the Takaful reserve is also liquidated and the contributions are paid back to the original contributors





**Hybrid Sukuk**  
(Musharaka-Istisna-Ijarah)  
**Sitara Chemical Industries Limited**  
**PKR 625 Million**  
**December 2006**

**Hybrid Sukuk**  
**At Inception**



*SCIL plans to raise finance to set-up a 24MW Power Plant.*

# Hybrid Sukuk

## At Inception



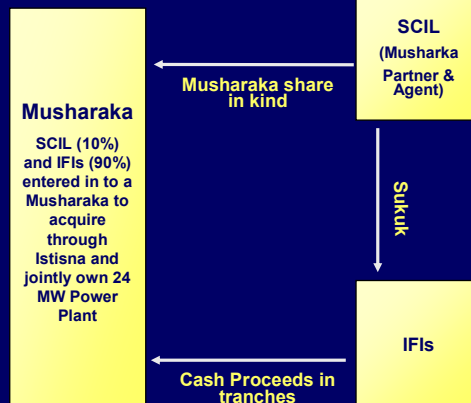
SCIL

IFIs

*A group of Islamic Financial Institutions agree to finance the Project.*

# Hybrid Sukuk

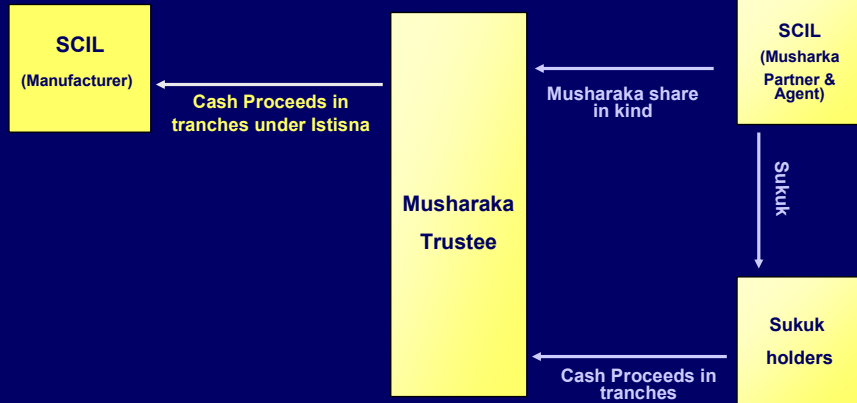
## At Inception



- SCIL and IFIs entered in to a Musharaka (Shirkat ul Milk) to finance the Power Project. IFIs agree to contribute their share in Cash and SCIL agrees to contribute its share in Kind.
- SCIL as Agent of Musharaka issues Sukuk to IFIs under section 120 of the Companies Ordinance, 1984.

# Hybrid Sukuk

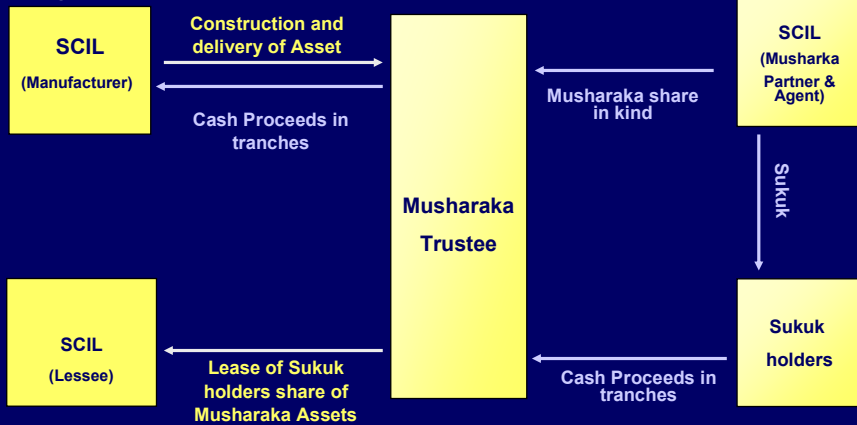
## Istisna Period



- Musharaka through Musharaka Trustee entered in to an Istisna contract with SCIL to construct and deliver the Power project at a specified date.

# Hybrid Sukuk

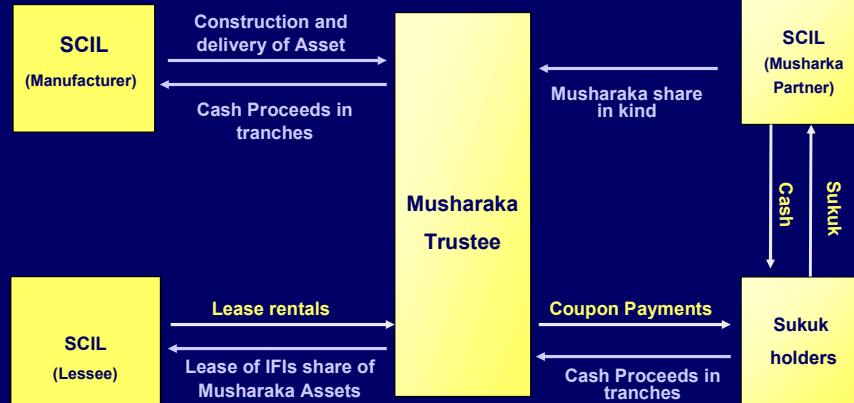
## Project Completion



- SCIL as manufacturer delivers the Power Project to Musharaka by the agreed date.
- Sukuk holders share in Musharaka Assets is leased to SCIL against periodic rental payments.

# Hybrid Sukuk

## Periodic Distribution & Redemption



- Lease rentals in respect of Sukuk holders Musharaka share of Assets is received from SCIL and is distributed among Sukuk holders as coupon payments.
- SCIL through a Purchase Undertaking periodically purchases Sukuk holders Musharaka share and redeems the Sukuk certificates.



**THANK YOU**