

CASE STUDY

First Ever Short Term CP Sukuk of PKR 1,500 Million
for



Lead Arranger & Advisor



Meezan Bank
The Premier Islamic Bank

Transaction Legal Counsel

A & Q

AHMED & QAZI
ADVOCATES & LEGAL CONSULTANTS

Issuer's Legal Counsel

CORNELIUS, LANE & MUFTI



KEY TERMS & INVESTOR DETAIL



SALIENT TERMS & CONDITIONS

Issuer	Kot Addu Power Company Limited (KAPCO)
Lead Arranger & Advisor	Meezan Bank Limited
Facility Amount	PKR 1,500 million
Tenor	6 Months from date of drawdown
Profit Rate	6 Months KIBOR + 145bps
Profit Payment	Profit will be payable on the Facility Redemption Date
Facility Redemption	Lump sum at expiry of the Tenor
Security	1 st charge on book debts / receivables and stock-in-trade of KAPCO equivalent to the Facility Amount plus 25% margin.

LIST OF INVESTORS

ABL Income Fund	ABL Islamic Cash Fund
ABL Cash Fund	Meezan Cash Fund
Meezan Islamic Income Fund	Meezan Balanced Fund
Meezan Bank Limited	PICIC Cash Fund
PICIC Income Fund	



ISSUER'S PERSPECTIVE

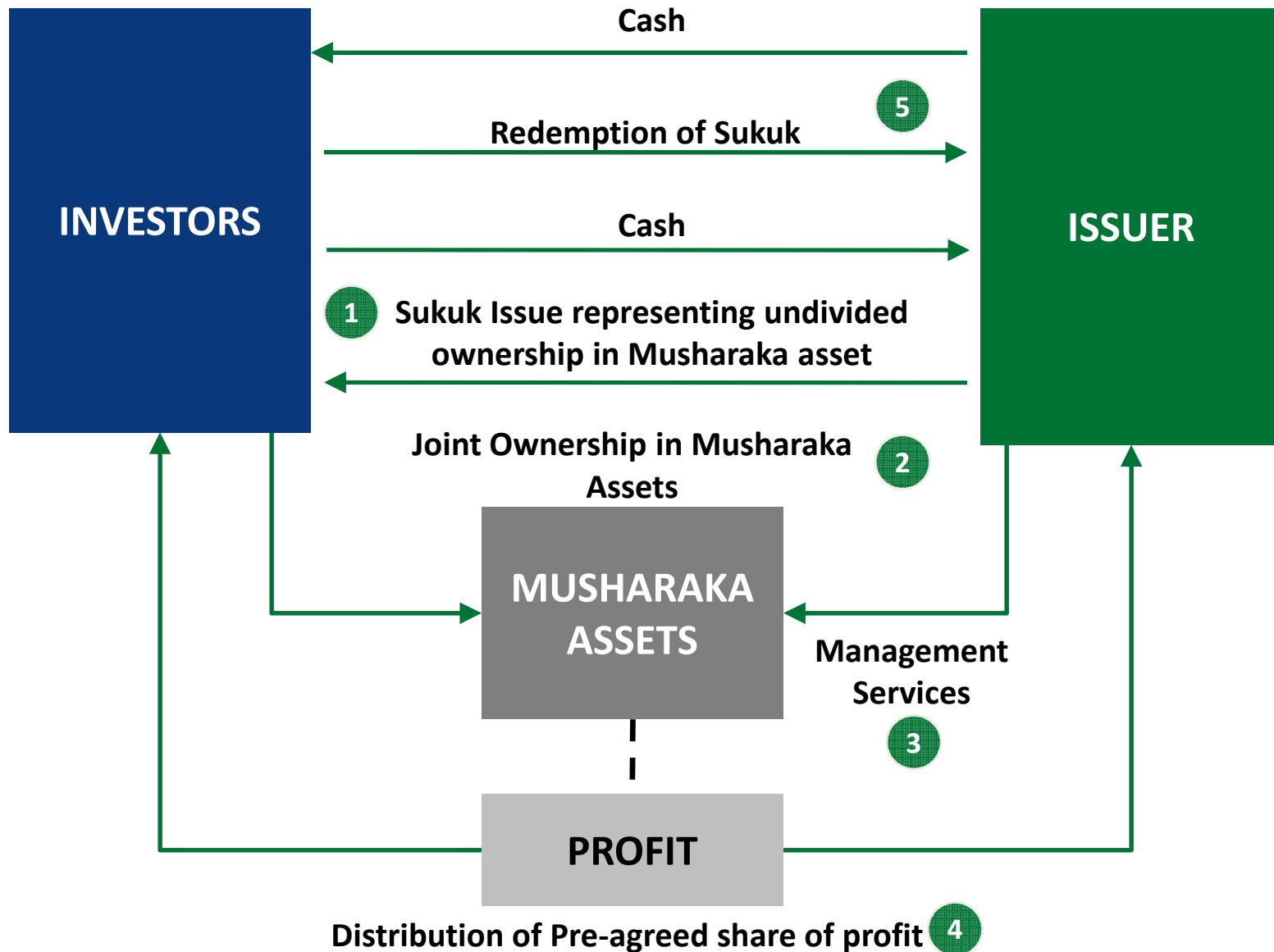
- KAPCO is Pakistan's one of the largest IPP with an installed capacity of 1600 MW;
- Cash is the lifeblood of an organization and accordingly, efficient working capital management is critical for success of every company;
- Efficient working capital management is even more critical for IPPs in the backdrop of prevailing energy crisis and the gap between generation costs and final tariff;
- KAPCO was advised about the surplus liquidity available in the capital markets and the dearth of high credit quality short-term investment instruments;
- KAPCO, which is always on the lookout for innovative fund management solutions planned to tap this liquidity by issuing the first ever short term Sukuk;
- To date, KAPCO has issued two Sukuk of PKR 1.5 billion each which have been successfully redeemed;
- These Sukuk were structured not only to offer attractive yields to investors but also served as a highly cost effective source of funding for KAPCO;
- KAPCO now intends to tap the capital markets again by issuing short term Sukuk;



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ARRANGER'S PERSPECTIVE

- The Sukuk was arranged & issued within a very short period of only 25 days;
- The successful distribution strategy led to oversubscription and financial close of the Sukuk in just 3 days;
- Structuring the Sukuk was the critical challenge since classical structures (like murabaha, diminishing musharaka or ijarah) could not be utilized to structure a *Trade-able Short-term* Sukuk;
- An innovative Musharaka (*shirkat ul aqd*) based structure was developed to ensure commercial viability and Sharia compatibility of the Sukuk;
- The salient feature of the structure was its seamless integration with the operating model of KAPCO which is explained through the following diagram.



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LEGAL COUNSEL'S PERSPECTIVE

- Since this short term Sukuk was based on an innovative *shirkat ul aqd* structure, transaction legal documentation was developed after detailed research on Islamic jurisprudence accordingly;
- Despite the odds, the documents were drafted in such a manner which not only protected the investors' interest but also ensured strict Shariah compliance at the same time;
- The transaction documents for the Sukuk issue included:
 - Asset Purchase Agreement;
 - Musharaka Agreement;
 - Undertaking to Purchase;
 - Undertaking to Sale;
 - Sukuk Issue Agreement;
 - Hypothecation Agreement.
- To protect the investors, the Sukuk were inducted in the Central Depository System of the CDC to ensure safe and secure trading.