From: Muhammad Asim <muhammad.asim@mcbah.com>
Date: Monday, September 6, 2021 at 9:05 AM
To: Nasim Beg <nasimbeg@arifhabib.com.pk>, Ahmed Jahangir Mcbahboard Jahangir <ajelahi@nishatmills.com>, Saqib Saleem <saqib.saleem@mcbah.com>
Cc: Saad Ahmed <saad.ahmed@mcbah.com>, Asif Mehdi <asif.mehdi@mcbah.com>, Altaf Faisal <altaf.faisal@mcbah.com>
Subject: Requesting Credit Committee approval for PEL Short-Term Sukuk

Respected Sir

We request approval for participation in the short-term Sukuk of Pak Electron Company. The Sukuk would be issued for a period of 15 months. The size of the issue is PKR 1,500 million inclusive of a greenshoe option of PKR 300 million. We have invested several issues of the company in the past except last year as we wanted to see the Covid Impact. The company is in the business of Electrical Appliances and Electric Transformers.

Historically, the company had faced strain when the sale of appliances become slower, competition and recovery has been slow. The company however in the last few years has improved a lot on its working capital management and has shown prudence in its credit policies and inventory management. During the last several quarters, the sales of company have remained robust and the company has avoided temptation for easing credit terms to garner even higher sales. The company also has a decent cushion for more debt which gives it room for any short term liquidity stress.

The issue would contribute to meet the working capital requirements of the Company.

Further details are mentioned in the below terms:

Instrument	Diminishing Musharaka Sukuk
Issuer	Pak Elektron Company
Total Issue Size	PKR 1,500 Million (with a Green Shoe Option of PKR 300 Million)
Tenor	15 Months
Entity Rating	Long Term ‘A+’/Short Term ‘A1’ by PACRA
Purpose	To Finance Company’s Working Capital Requirements
Coupon Type & Frequency	None
Security	The Sukuk Issue will be secured against First Joint pari passu hypothecation charge over Current Assets of the issuer with 25% Margin -Personal Guarantee of Mr Naseem Saigol
Rate	3-Months KIBOR + 1.30% p.a
Lead Advisor / Arranger	AlBaraka Bank Pakistan Limited

The profit payment of 3 Months Kibor plus a margin of 130 bps on current KIBOR will translate into a coupon rate of 8.68%. The accrual appears to be attractive in comparison to yields of other instruments of similar nature.

Considering the aforementioned factors, strong growth expectation, healthy EBIDTA forecast, and a low Debt/ Assets ratio we intend to participate in the Sukuk collectively from Aggressive Open End, Shariah Compliant Income, and SMAs. We propose to participate by an amount of PKR 300 million which will be 20% of the issue size.

A detailed review of the Company is also attached for your perusal.

Regards
Asim

Muhammad Asim, CFA
CIO

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