

Survey of chief financial officers of KSE-100 index companies on sukuk

Survey conducted during May-June 2017

Regulatory Research Wing, Securities and Exchange Commission of Pakistan



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COMMISSION OF PAKISTAN

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Background to the survey

Initiated by Islamic Finance Department of SECP, continuing the work being done under Islamic capital market's sub-committee headed by Chairman SECP

Survey conducted by Regulatory Research Wing at SECP in collaboration with Pakistan Stock Exchange (PSX)

Purpose was to identify issues facing listed companies in raising capital through sukuk



Survey Methodology

Sample was KSE 100 index companies

Survey was done online via email, comprising only 8 questions taking not more than 3 minutes to complete

Survey started on 16th May and concluded on 14th June



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Survey details

More than 100 calls were made at start to gather CFOs email addresses

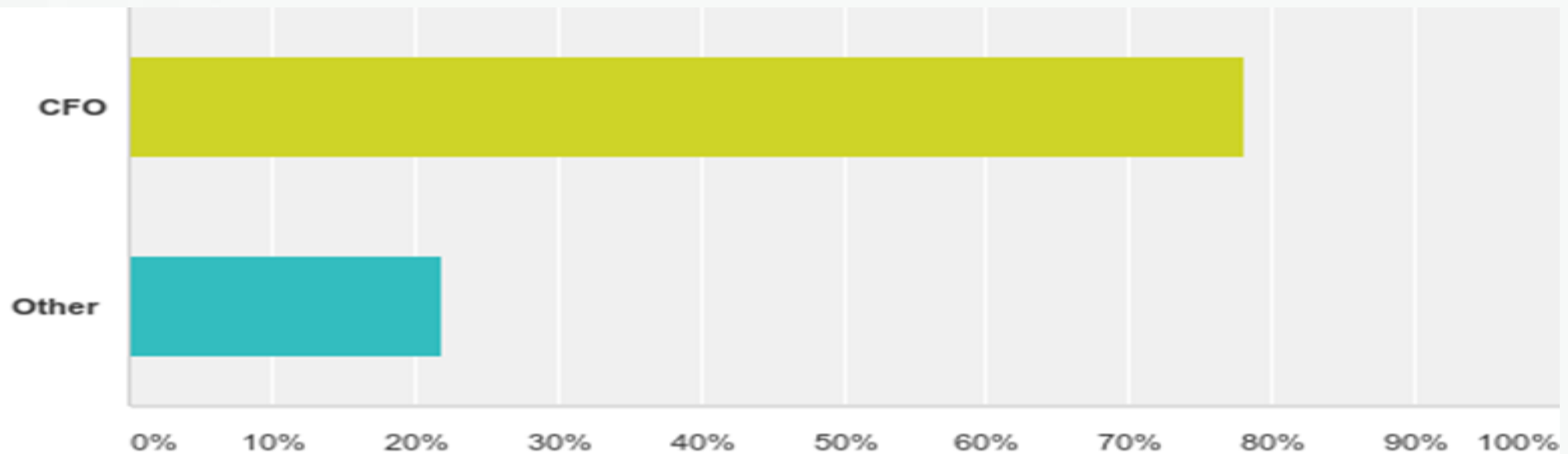
Four reminder emails sent to increase response rate

On average 3 phone calls were made as further follow-up for each response, resulting in a total of 50 responses



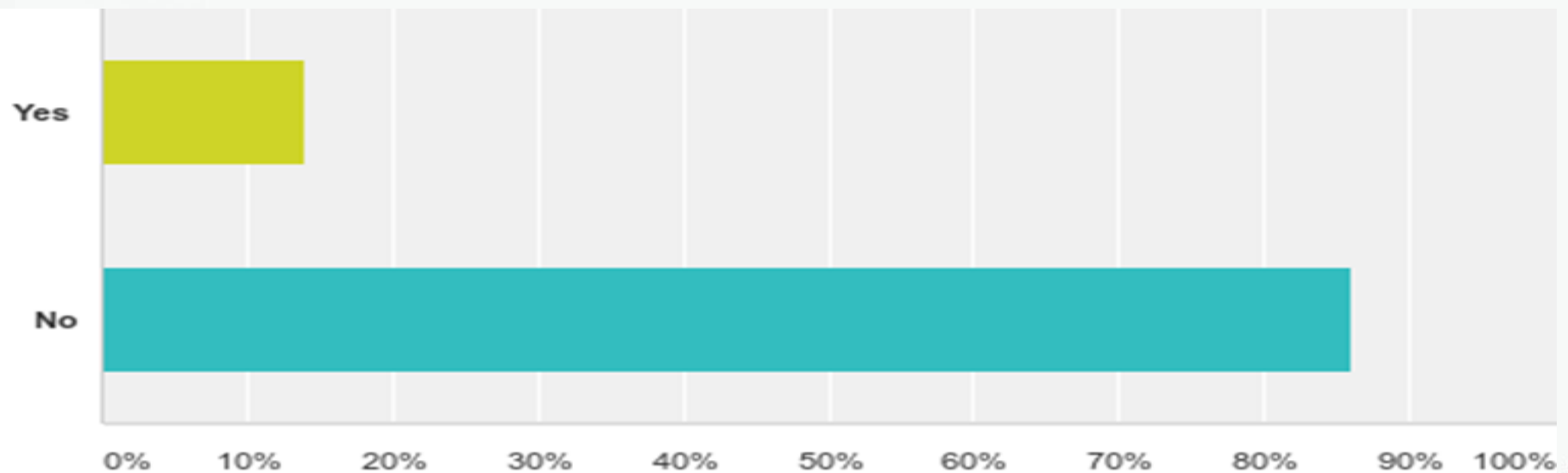
Findings

Job title of respondent



“Other”: Majority of respondents are from finance department like financial controller and finance manager

To the best of your knowledge, during the last five years, has your company considered raising capital from the capital market by issuing sukuk?



If your company has considered raising capital from the capital market by issuing sukuk, what were the main reasons? (Select all that apply)

Answer choices	Responses
We are interested in issuing Shariah compliant securities because of religious inclination of our decision makers	26.67%
We think that sukuk are more likely to be cost effective for us compared to comparable conventional securities	13.33%
We intend to reduce our conventional debt to meet the screening criteria of Islamic equity indexes	13.33%
We are a Sharia compliant company and we cannot issue conventional securities	6.67%
Other (please specify)	46.67%

“Other”: There is investor appetite for sukuk



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If your company has not considered issuing sukuk to raise capital from the capital market, what were the main reasons? (Select all that apply)

Answer choices	Responses
We are able to raise sufficient capital to meet our financial needs without needing capital market	59.25%
We think that issuing sukuk may carry more hassle for issuers than comparable conventional securities	9.52%
We think that issuing sukuk may carry more risks for issuers than comparable conventional securities	9.52%
We are largely unaware of sukuk	7.14%
We think that sukuk may face unfavorable tax treatment compared to comparable conventional securities	4.76%
Other (please specify)	30.95%

“Other”:

Company does not need to raise capital

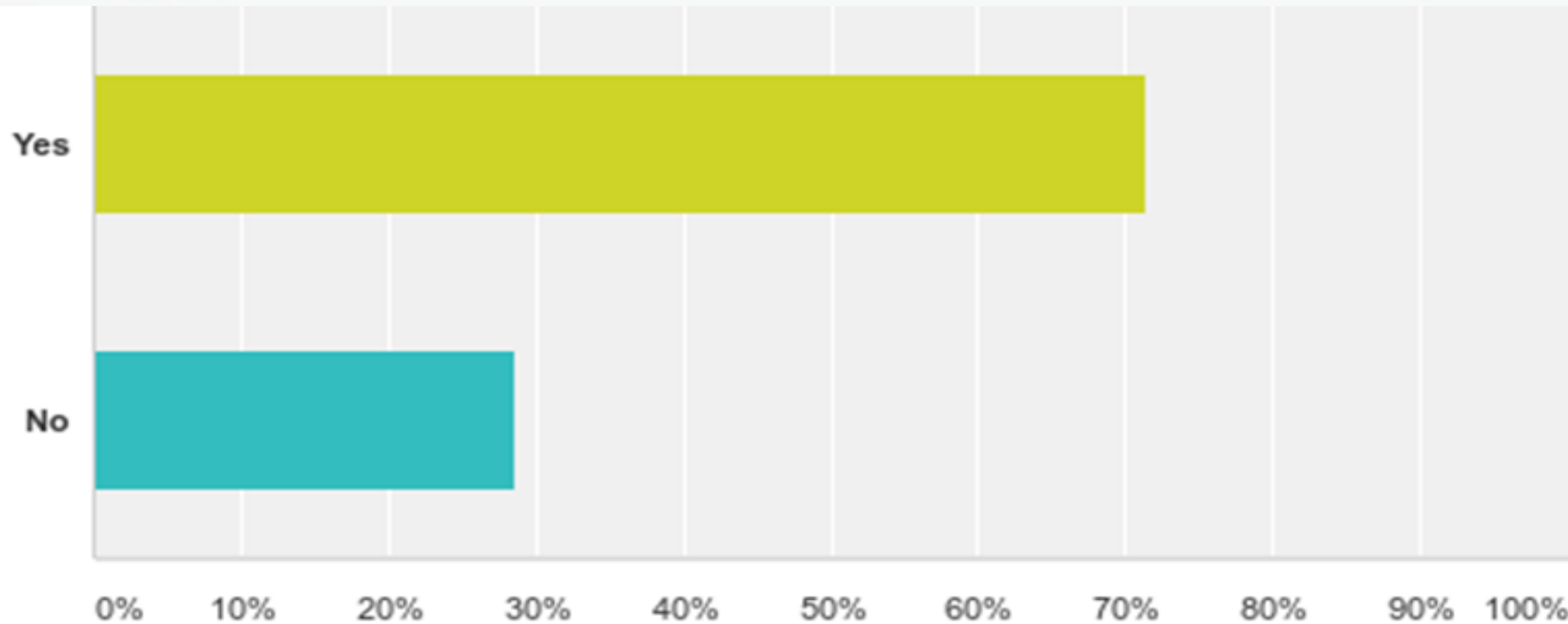
Company see business risk because of (Sharia) restricted market

Company does not have sufficient Islamic business to use the funds from sukuk

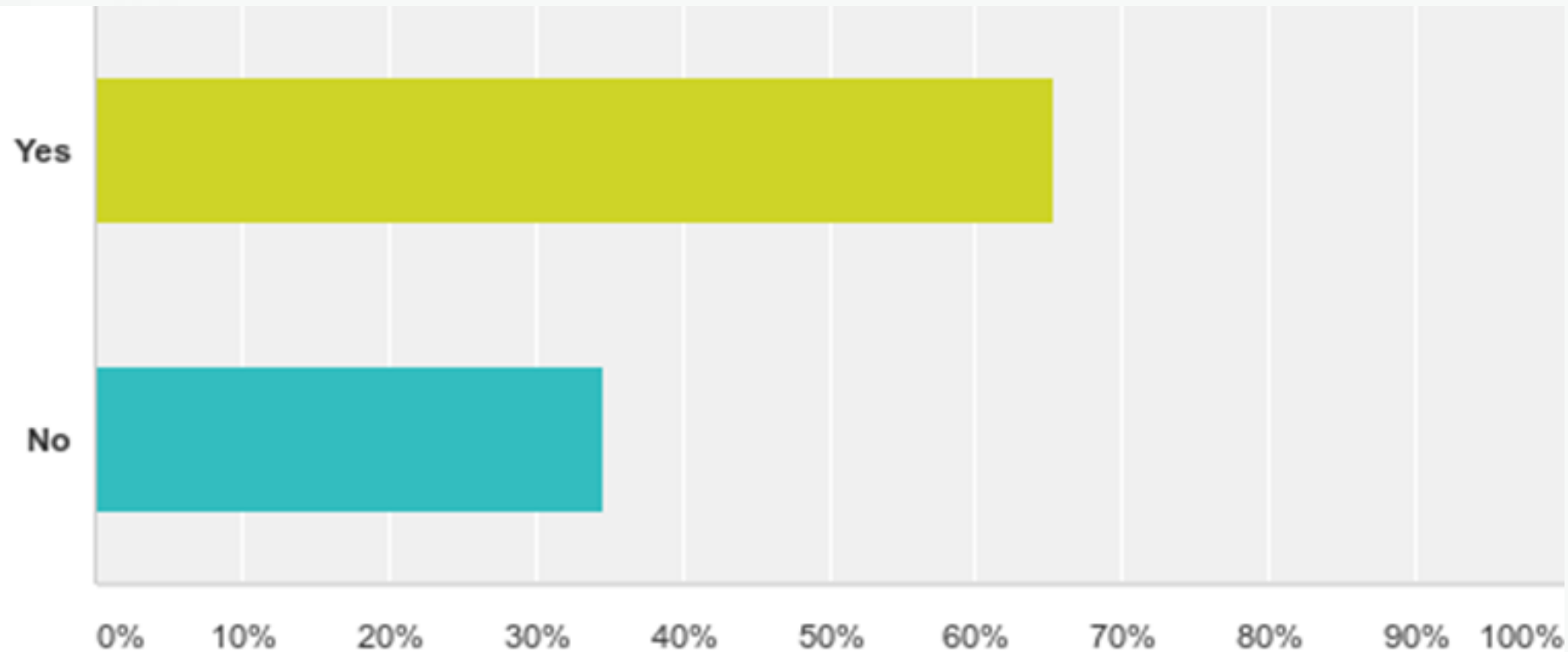


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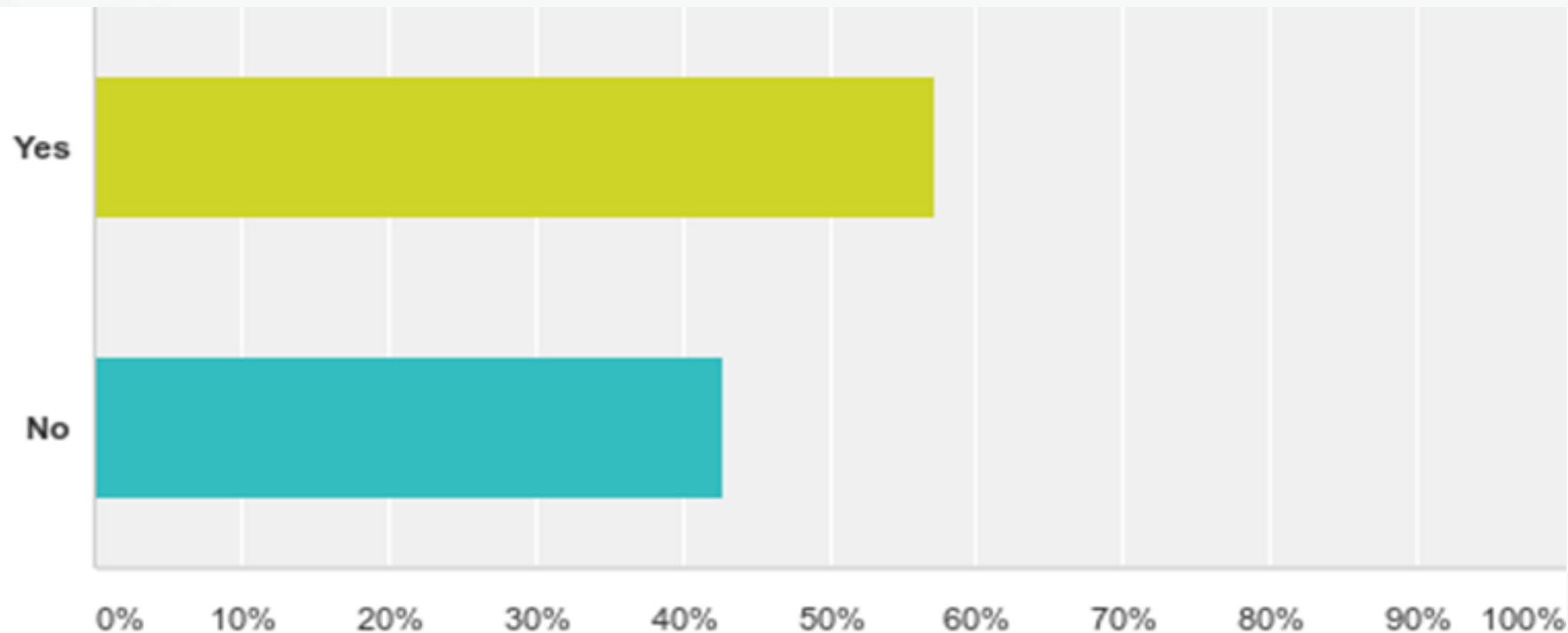
Were you aware that sukuk issue can be placed through private placement (without any public offer) under the Regulations Governing Over the Counter (OTC) Market of Pakistan Stock Exchange?



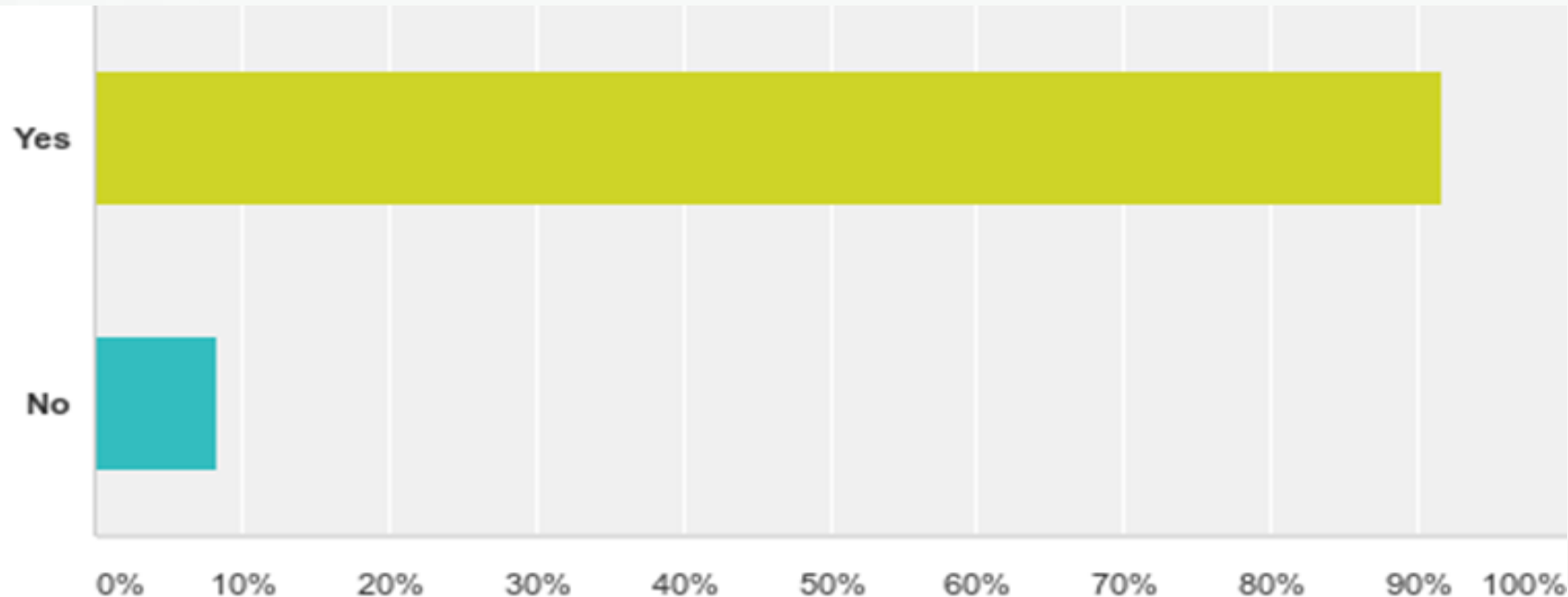
Were you aware that the tax exemptions available to conventional securitization have also been made available to sukuk?



Were you aware that in April 2017, SECP has proposed amendments in the issue of Sukuk Regulations 2015 to facilitate the issuers?



Would you like to attend a seminar focused on the CFOs of the listed companies to enhance your understanding of how best your company can raise capital by issuing sukuk?



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Additional comments from respondents

- SECP's initiative in this regard is much appreciated, but not only is there a dearth of corporate sukuks, but also GOP Ijarah Sukuks - placement of funds of our Window Takaful Operations - unit linked funds is a challenge due to lack of availability of Islamic Instruments. SECP could take the lead role in facilitating a dialogue with the SBP.
- With sukuk, an issuer can attract both Islamic and conventional investors with a larger order book, issuers can push for better pricing
- Awareness regarding availability of sukuk needs to be enhanced



Recommended
action
(based on survey
results)

A series of seminars regarding sukuk for CFOs be organized as 90% respondents are interested in attending such an event



Companies that responded to the survey

1. Adamjee Insurance Company Ltd
2. Aisha Steel Mills Ltd
3. Allied Bank Ltd
4. Allied Rental Modaraba
5. Arif Habib Corporation Ltd
6. Askari Bank Ltd
7. Bank AL Habib Ltd
8. Bank Alfalah Ltd
9. Bestway Cement Ltd
10. Colgate-Palmolive (Pakistan) Ltd
11. Crescent Jute Products Ltd
12. D.G. Khan Cement Company Ltd
13. Dawood Hercules Corporation Ltd
14. Engro Fertilizers Ltd
15. Fatima Fertilizer Company Ltd
16. Fauji Cement Company Ltd
17. Fauji Fertilizer Bin Qasim Ltd
18. The General Tyre and Rubber Company of Pakistan Ltd
19. Habib Metropolitan Bank Ltd



Respondents (Continued)

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| 20. Hascol Petroleum Ltd | 29. Meezan Bank Ltd |
| 21. Ibrahim Fibers Ltd | 30. Murree Brewery |
| 22. IGI Insurance Ltd | 31. National Bank of Pakistan |
| 23. International Steels Ltd | 32. National Foods Ltd |
| 24. Jubilee General Insurance | 33. Nishat Chunian Group |
| 25. Jubilee Life Insurance Company Ltd | 34. ORIX Leasing Pakistan Ltd |
| 26. Kohat Cement Company Ltd | 35. Packages Ltd |
| 27. Lalpir power Ltd | 36. Pak Suzuki Motor Company Ltd |
| 28. Maple Leaf Cement Factory Ltd | 37. Pakistan International Container
Terminal Ltd |

Respondents (Concluded)

- 38. Pakistan Oilfields Ltd
- 39. Philip Morris (Pakistan) Ltd
- 40. Punjab Oil Mills Ltd
- 41. Saif Power Ltd
- 42. Shell Pakistan Ltd
- 43. Shifa International Hospitals Ltd
- 44. Soneri Bank Ltd
- 45. Standard Chartered Bank (Pakistan) Ltd
- 46. Sui Northern Gas Pipelines Ltd
- 47. Thal Ltd
- 48. The Searle Company Ltd
- 49. United Bank Ltd
- 50. (Name not specified by the respondent)

