



PIA SUKUK – I

SLR ELIGIBLE, PRIVATELY PLACED, LISTED SUKUK UP TO PKR 20 BILLION TO BE ISSUED THROUGH BOOK BUILDING METHOD

ISSUER



ADVISOR & INVESTMENT AGENT



JOINT BOOK RUNNERS



JUNE 2021

ABRIDGED TERM SHEET OF THE SUKUK

Issuer	Pakistan International Airlines Corporation Limited (“PIACL” or the “Issuer”).
Eligible Investors	<ul style="list-style-type: none"> • A Scheduled Bank as defined in the Companies Act, 2017; A Financial Institution as defined in the Companies Act, 2017; • Mutual Funds, Voluntary Pension Schemes and Private Fund being managed by NBFC; • Insurer registered under the Insurance Ordinance, 2000. • A Securities Broker; • A Fund and Trust as defined in the Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018 • A Company and Body Corporate as defined in the Companies Act, 2017
Transaction / Issue Summary	Government of Pakistan (“GoP”) intends to issue Secured PIA Sukuk through PIACL for the Purpose (herein referred to as “Sukuk” or the “Transaction”) under relevant and applicable legal & regulatory framework and guidelines
Purpose	The disbursement proceeds will be utilized by the Issuer to meet its permanent working capital requirements and for settlement of part of existing conventional/ Islamic financing facilities.
Sukuk Name/Title	PIA Sukuk
Transaction / Issue Amount	Up to PKR 20 Billion inclusive of green shoe option of PKR 5 Billion
Book Building Size	The Book Building will be conducted for issue size of up to PKR 20 billion .
Discretion of the Issuer	At the end of the Book Building the Issuer would have the discretion to decide the issue size and the cut off spread/margin would be calculated based on the final issue size.
Face Value of Sukuk	PKR 5,000
Drawdown	Drawdown shall be made in bullet.
Tenor	Ten (10) years inclusive of two (02) years grace period
Issue Redemption	In ninety-six (96) equal monthly installments, starting from 25th month from the date of drawdown and subsequently every month thereafter.
Profit/Rental Payment	Monthly in arrears. Profit will accrue from the issue date of the Sukuk
Profit rate /coupon rate	<p>One (01)-month KIBOR* +/- Spread /margin determined through book building method</p> <p><i>*Karachi Interbank Offer Rate (“KIBOR”) is defined as Average Ask rate for the relevant tenor, as published on Reuters page KIBOR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable. The Base Rate will be set for the first time one business day prior to the Issue date and then on the last business day prior to each monthly reset date</i></p>
Transaction Structure	The Transaction structure is based on Diminishing Musharakah (sale & lease back) on identified underlying Musharakah Assets comprising of land, buildings and aircrafts in usable form (the “Transaction Assets”) owned by the Issuer.
Shariah Compliance Certificate	Shariah Compliance Certificate of the Sukuk has been obtained from SECP (to comply with clause 08 of Shariah Governance Regulations 2018)
Security	<ol style="list-style-type: none"> 1. Unconditional, irrevocable and continuing First Demand Guarantee covering Issue Amount, Profit/ Rental Payment and any other amount due, from the Ministry of Finance, Government of Pakistan. It may be noted that the Drawdown shall be made against a Letter of Comfort from Ministry of Finance (“MoF”) (herein referred to as “LoC”) confirming issuance of GoP Guarantee within a period of Ninety (90) days from the Issue date. 2. Lien on Collection/Escrow Account(s) and Facility Payment Account (FPA) to be maintained with the Investment Agent/ Trustee.

Joint Lead Arrangers	Top Three (03) Eligible Investors / Banks/FIs
Joint Book Runners	<ol style="list-style-type: none"> 1. National Bank of Pakistan 2. BankIslami Pakistan Limited 3. BIPL Securities Ltd
Banker to the Issue	<ol style="list-style-type: none"> 1. National Bank of Pakistan 2. BankIslami Pakistan Limited
Advisor	BankIslami Pakistan Limited
Investment Agent	BankIslami Pakistan Limited
Shariah Advisor	Mufti Javed Ahmad-Resident Shariah Board Member BankIslami Pakistan Limited
Legal Counsel	Mohsin Tayebaly & Co.
Central Depository Company	The Sukuk will be inducted in the CDS of Central Depository Company (CDC)
Listing on Pakistan Stock Exchange (“PSX”)	Sukuk shall be listed at PSX in accordance with Chapter 5C of the PSX Rule Book
SLR Eligibility	<p>The Sukuk have been notified as SLR eligible by Ministry of Finance (MoF), GoP through the Gazette notification dated 31-May-2021.</p> <p><i>Note. SBP notification of SLR eligibility is expected to be received before start of the book building. however, the Sukuk shall be classified as ‘Public Sector’ Sukuk with SLR eligibility limit of 7.0% in view of Clause B(4) of Annexure-B of DMMD Circular no. 05 dated March 08, 2018 by State Bank of Pakistan (SBP)</i></p>
Governing Laws	The Transaction Documents will be governed by and construed in accordance with the laws of the Islamic Republic of Pakistan and Islamic banking regulations issued by SBP.
Shariah Compliance	The overall Issue will be structured and executed in Shariah Compliant manner in accordance to the guideline provided by the Shariah Advisor of the transaction and all parties involved in the transaction will commit to ensure the Shariah Compliance of this Issue at all times.

KEY INVESTMENT CONSIDERATIONS:

- + **Listed Shariah Compliant Sukuk.**
The Sukuk is Shariah compliant instrument and has obtained the Shariah certificate from SECP. The Sukuk will be listed at PSX and will be traded on BATS system providing an exit strategy for investors.
- + **100% GoP Backed:**
The Sukuk is secured by an irrevocable and first call Government of Pakistan (“GoP”) guarantee covering the entire principal and profit amount over the life of the Sukuk.
- + **SLR Eligible Sukuk**
The Sukuk shall be classified as ‘Public Sector’ Sukuk with SLR eligibility limit of 7.0% in view of Clause B (4) of Annexure-B of DMMD Circular no. 05 dated March 08, 2018 by State Bank of Pakistan (SBP). The SLR eligibility is an added benefit for scheduled banks and this is first SLR eligible issuance for the year 2021.
- + **Collection/Escrow Arrangement**
Collection Account(s) to be maintained with Investment Agent, shall be funded **through Non-IATA Cash Flows/Collections relating to Lahore & Karachi region** and that the monthly throughput of identified Non-IATA collections/Cash flows in the Collection Account should not be less than 1.25x of the upcoming installment amount.
- + **DPA Mechanism:**
Facility Payment Account (FPA), under Investment Agent lien, will be funded monthly from the Collection Account(s) such that upcoming installment amount is available, on or before the due date, for payment/distribution to the Investors / Sukuk holders.

Disclaimer: The information contained in this document is solely for information purposes to assist Eligible Investors in soliciting their interest and approvals. Whilst all attempts have been made to ensure that the information is accurate and complete in all material respects, the Advisor, or any of its affiliates, associates and/or subsidiaries do not make any representations or warranties, express or implied as to the accuracy, adequacy, reasonableness or completeness of such information. The information contained herein is submitted to the prospective Eligible Investors on a strictly and permanently confidential basis solely for the purpose of their consideration whether to participate in, or make investment decision, or enter into a contract to take exposure in the Transaction. By accepting a copy of this document, the Eligible Investors agree to not to divulge this information to any other party. This document may not be photocopied, reproduced, shown, copied in any manner, whatsoever, used, permitted, to be used or distributed, whether directly or indirectly, to others without the prior written consent of the Advisor.

Annexure-1

BOOK BUILDING PROCESS

BOOK BUILDING MECHANISM

Book building is a mechanism of determining the cost of debt through a market based competitive bidding process. Book Building Mechanism will be used to determine the cut-off Spread (+/-) in basis points (bps) relative to the **1 Month KIBOR** Rate that the Issuer will pay on monthly basis to the respective Investors. Auction Method (defined below) will be used for determination of the cut-off Spread as per the following procedure:

PROCEDURE AND CONDITIONS FOR BIDDING:

- i. Book Building shall be conducted only among eligible investors, as specified in the Term Sheet;
- ii. The Book Runner shall establish bid collection centers to collect bids from eligible investors.
- iii. The Book Runner shall provide a mechanism for registration of the bidders at the bid collection centers;
- iv. The Book Building Registration Forms can be accessed online through the following link www.nbp.com.pk; bankislami.com.pk; www.biplsec.com and www.psx.com.pk; and also at the bid collection centers specified on NBP, BankIslami and BIPLSEC webpages. Duly filled registration form along with all requisite documents mentioned in the form be submitted with the any of the BTI (i.e. NBP, BankIslami)) at designated branches.
- v. The Registration of the bidders shall take place during **July 09, 2021 till July 12, 2021 (both days inclusive)** during banking hours. Furthermore, those eligible investors who wish to remit funds through RTGS may register up till **01:00 pm on July 13, 2021**;
- vi. Eligible investors as specified in the Term Sheet shall be eligible for bidding against deposit of minimum **5% of bid money** as margin money.; The Book Runner shall ensure collection of margin money in respect of bids placed by the eligible investors;
- vii. All bidders are required to have a bank account with any of the Scheduled Bank in Pakistan;
- viii. Successful bidders who have deposited less than 100% of bid money must honor their bid and deposit full amount of bid money with in one day of intimation of successful bid. In case any bidder fails to do so, margin money shall be forfeited without any recourse.
- ix. The margin money will be returned to the unsuccessful bidders without any additional profit/premium on the margin money amount.
- x. The Book Runner shall put in place a mechanism to enter details of the Bidders into the Book Building System. All relevant details of the bidder (including the bid money) shall be entered in the book building system by the Book Runners.
- xi. The Book Building System shall assign and communicate password and user ID to the bidders for access to the Book Building System;
- xii. Bidders shall use their specific user ID and password for placing the bid spread and quantity during **July 13, 2021 and July 14, 2021** in the Book Building System; Bidders shall be eligible to bid during **July 13, 2021 and July 14, 2021** if margin money/investment amount (as applicable) is credited in the designated bank account of BankIslami Pakistan Limited/National Bank of Pakistan by **July 13, 2021 up till 01:00 pm**.
- xiii. Bid spread can only be entered in bidding software by the eligible investors. Bidder shall not disclose bid spread to any one including the Book Runner.
- xiv. One unit of the Sukuk will be of PKR 5,000. Minimum bid size would be 20 units or PKR 100,000/- (One Lac);
- xv. Bids can only be made in multiple of 20 units or PKR 100,000/-
- xvi. Bid spread can be entered both on positive and negative side in basis points over 1 months KIBOR;
- xvii. An eligible investor can submit multiple bids. Bid spread mentioned against one bid can only be revised downward during the allotted bidding time. Upward revision of the spread is not allowed;
- xviii. The bids can be placed online during July 13, 2021 till July 14, 2021 from 09:00 am till 05:00 pm in the book bidding system only by the eligible investors themselves;
- xix. The Book Runner will ensure that all bids are entered in the Book Building System and Bid Report containing all the bids are shared with the issuer at the earliest on **July 14, 2021**, without disclosing the identity of the bidder. Confidentiality of the bids will be ensured by PSX and the Book Runner at all times;
- xx. At the end of the Book Building the issuer would have the discretion to revise the issue size and the cut off spread would be calculated based on the revised issue size; At the close of the bidding period, cut-off spread shall be determined on the basis of Auction Method by arranging all the bid spread in an ascending order along with the number of units and the cumulative number of units bid for, at each bid spread. The cut off spread is determined by increasing the bid spread to the extent that the total number of units

- offered under the Book Building portion are subscribed. The allotment shall be made on following basis:
- a. The allotment shall be made on the basis of highest bid priority, i.e. the bid made at the lowest spread shall be considered first for allotment of units;
 - b. The bidders who have made bids at spreads less than the Cut-off Spread shall be allotted units at the Cut-Off Spread;
 - c. After allotment of units to the bids made below the Cut-Off Spread, remaining units shall be allotted against the bids made at the Cut-Off Spread by Eligible Investors on proportionate basis;
 - d. The bidders who have made bids at higher than the Cut-off Spread shall not qualify for allotment.
- xxi. The successful bidders shall be intimated the cut-off spread and the number of units allotted to each of them on the same day after closing of the bidding time;
- xxii. The units allotted to successful bidders shall be in the form of book entry to be credited in their CDS account. All the bidders shall, therefore, provide number of their **CDS account** in the registration form.

RESTRICTION ON BIDDERS:

- i. The bidder shall not withdraw the Bid;
- ii. Bid spread can only be revised downward during the allotted bidding time. Upward revision of the spread is not allowed.
- iii. The bidder shall not make bid with mala fide intent to hamper the spread discovery process. If found guilty, the bidder shall be punishable under the applicable law

RESPONSIBILITY OF THE BOOK RUNNER:

The Book Runner to the Issue shall be responsible to:

- i. Ensure that details of the bids submitted including the particulars of bidders; number of bidders and bid amount are at all times kept confidential until the end of bidding process and be shared only with concerned parties as agreed.
- ii. Ensure that necessary infrastructure and electronic system is available to accept bids and to undertake the whole Book Building in a fair, efficient and transparent manner;
- iii. Ensure that the use of software provided by the PSX for the Book Building is as per the agreement;
- iv. Maintain record of all the bids received and compile the bids as per the procedure;
- v. Establish sufficient number of bid collection centers.
- vi. Ensure that within three working days of the close of bidding period, the bidding amount of the unsuccessful bidders is refunded without any additional profit payment on the margin amount.

AUCTION METHOD IS DEFINED BELOW:

Auction method means the method through which the spread is determined by arranging all the bid spread in an ascending order along with the number of units and the cumulative number of units bid for, at each bid spread. The cut off spread is determined by increasing the bid spread to the extent that the total number of units offered under the Book Building portion are subscribed.

Annexure-2

FAQS RELATING TO BOOK BUILDING

1. What is the Face value of the Sukuk and Minimum Investment ticket size?

The face value of the Sukuk is of PKR 5,000. The minimum bid size can be 20 units (i.e. 100,000/-) and the bids can only be made in the multiple of 20 units.

2. What is Book Building Mechanism?

Book building is a mechanism to determine the cost of debt through a market based competitive bidding process. Book Building Mechanism will be used to determine the cut-off spread (+/-) in basis points (bps) relative to the 1 Month KIBOR Rate that the Issuer will pay on monthly basis to the respective Investors. Auction Method will be used for determination of the cut-off Spread as per the following procedure.

3. What is the subscription procedure for PIA SUKUK?

- Interested Investor will register themselves/their organization by filling the Registration Form enclosed as (*Registration Form*) within the three (03) days period mentioned in the advertisement along with 5% margin money
- The forms are available online and will be submitted with the designated branches of BankIslami and National Bank of Pakistan mentioned on the websites of the Joint Book Runner and Pakistan Stock Exchange.
- 5% margin money can be deposited in the form of pay orders, cheques and RTGS
- The Registration of the bidders shall take place during **July 09, 2021 till July 12, 2021 (both days inclusive)** during banking hours. Those eligible investors who wish to remit funds through RTGS may register up till **01:00 pm on July 13, 2021;**
- User rights along with ID and password shall be sent to the registered email addresses by PSX, through an auto generated email and message.
- The potential Investors will be able to login the book building software during the two book building days and spread to be entered (+/-) over 1 month KIBOR in the system
- An eligible investor can submit multiple bids. Bid spread mentioned against one bid can only be revised downward during the allotted bidding time. Upward revision of the spread is not allowed.
- At the close of the bidding period, cut-off spread shall be determined on the basis of Auction Method by arranging all the bid spread in an ascending order along with the number of units and the cumulative number of units bid for, at each bid spread.
- The final allocation over the lowest spreads (a Dutch Auction Method) will be determined by PSX and shall be communicated to the successful investors by the end of the last Book Building Days.
- Remaining 95% of the subscription amount to be deposited by the Investors within one day of the Musharakah Contribution request by the Issuer.

4. What is Dutch Auction Method?

Dutch Auction method means the method through which the spread is determined by arranging all the bid spread in an ascending order along with the number of units and the cumulative number of units bid for, at each bid spread. The cut off spread is determined by increasing the bid spread to the extent that the total number of units offered under the Book Building portion are subscribed.

The allotment shall be made on following basis:

- a. The allotment shall be made on the basis of highest bid priority, i.e. the bid made at the lowest spread shall be considered first for allotment of units;
- b. The bidders who have made bids at spreads less than the Cut-off Spread shall be allotted units at the Cut-Off Spread;
- c. After allotment of units to the bids made below the Cut-Off Spread, remaining units shall be allotted against the bids made at the Cut-Off Spread by Eligible Investors on proportionate basis;
- d. The bidders who have made bids at higher than the Cut-off Spread shall not qualify for allotment.

5. What if the Successful Investor doesn't deposit remaining 95% of the subscription amount within the stipulated time?

The margin money will be forfeited by the Issuer.

6. Refund process for 5% bid margin money to unsuccessful Investors?

The 5% margin money of the unsuccessful Investors will be returned within three (03) days of the allocation through the same medium of payment that would be used for deposit of margin money, initially.

7. Will there be any profit served to either of successful or unsuccessful Investors margin money amount?

No profit will be served to the either of successful or unsuccessful Investors margin money amount.