



## LOLC Finance sets benchmark in Sukuk issuances in South Asia

Tuesday, 30 August 2016 00:14

LOLC Finance PLC has successfully issued a Rs. 500 million (\$ 3.37 million) Sukuk from the domestic market, setting a precedent for corporate Sukuk issuances in South Asia.

Sukuk is commonly referred to as 'Shariah compliant' bonds, which is a fast emerging source of alternative funding often referred to as Islamic Bonds.

The Sukuk Al Ijarah issuance of LOLC Finance was subscribed entirely by the Bank of Ceylon. The three-year Ijarah facility proceeds will contribute to further develop the Islamic Finance capital market, by not only opening a new window for companies seeking Islamic Finance but also provide a viable investment instrument for any potential Islamic investor. The Trustee to the issuance was HNB Custodial Services while Trillion Securities Ltd. acted as the financial adviser, arranger and lead manager. The legal aspect was handled by Nithya Partners.

Elaborating on Sri Lanka's first Sukuk Al Ijarah issuance, LOLC Group Head of Islamic Finance Krishan Thilakaratne said, "As there has never been a Sukuk issuance in Sri Lanka, we had the challenge of drafting the agreements and arranging the parties. Further, we are building a fairly substantial Ijarah base and we have the capacity to go with a larger issue in the future. Ideally, we would like to get off shore investors buying the paper but there are hurdles to overcome such as exchange risk options. Thilakaratne further said, "There is a great appetite for investment in the company but we lacked a proper Sukuk structure or product that we could bring to the capital market. The focus for us now is to fine-tune what we have now for the international market.

I would also like to make special mention of the members of Al-Falaah's Shari'ah Supervisory Board, Ash-Shaikh Fazil Farook, Ash-Shaikh Murshid Mulaffer and Mufti Shafiq Jakhura, who are all well-known, eminent scholars in the industry for their pivotal role structuring and drafting the agreement according to the precepts of Islamic Finance.

Having successfully raised Islamic capital from the domestic market, LOLC Finance is focusing on capturing foreign funds, in a Shari'ah compliant manner. Backed by Japan's multinational conglomerate ORIX Corporation, the LOLC Group is renowned for its strong international funding base.

Speaking about the landmark deal, Bank of Ceylon (BOC) General Manager D.M. Gunasekera said, "The experience and the learning curve of this joint effort is one of the convergence the industry is vying for and therefore others too can join hands with us for win-win deals. BOC being the No. 1 Bank in the country has the responsibility to support the financial industry to introduce various types of products depending on the requirements of the depositors and the borrowers."

Meanwhile, Sampath Kulatunga, Director/CEO of Trillion Securities Ltd. (TSL), the arranger and lead manager of the issue said, "The challenge to us was that this issue was the first ever Sukuk Ijarah receivable securitisation transaction, structured in the Sri Lankan capital market. The first ever Sukuk Ijarah securitisation transaction became a reality due to the effort of all stakeholders who worked tirelessly to ensure the successful launch of this issue."

HNB Managing Director and CEO Jonathan Alles commented that the bank is proud to be appointed as the trustee to the Rs. 500 million Bank of Ceylon funded, Sri Lanka's first Sukuk Bond of LOLC Finance PLC and this mandate is a testament of the level of confidence that the market has placed on HNB as a preferred corporate banking partner.

LOLC Finance PLC, which is one of Sri Lanka's largest non-banking financial institutions, is a regulated Finance Company of the Central Bank. LOLC Finance is rated [SL] A with stable outlook by ICRA Lanka Ltd., a wholly owned subsidiary of ICRA Ltd., an associate of Moody's Investors Service.