

**February 16, 2024**



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

**SHARIAH PRONOUNCEMENT FOR UNSECURED PRIVATELY PLACED SHORT TERM SUKUK OF Thar Energy Limited FOR AN AMOUNT OF PKR 5,000,000,000/- (PAK RUPEES FIVE BILLION ONLY)**

Thar Energy Limited (the “**Issuer**”) is desirous of raising financing through the issuance of an unsecured privately placed Short Term Sukuk of PKR 5,000,000,000/- (PKR Rupees Five Billion Only) inclusive of a green shoe option of PKR 2,000,000,000/-, (the “**Sukuk Issue**”) to the eligible institutional and other investors by way of private placement pursuant to the provisions of Section 66 of the Companies Act, 2017 (the “**Investors**”). The Sukuk Issue is based on Shirkat-ul-Aqd for participation in trade-based activity of TEL i.e. The business for production (or making available power generation facility for production) and selling electricity to its customers. This short term Sukuk is being issued for the purpose of meeting working capital requirements of the Issuer. Following are important points of the Sukuk Issue:

1. A **Sukuk Subscription and Issue Agency Agreement** shall be entered into whereby the Investors will appoint **The Bank of Punjab** as their “**Issue Agent**”. Investors will authorize the Issue Agent to do all acts of necessary for the purpose of Investment in Musharaka. -- **Based on Sukuk Standard 17 - Investment Sukuk of AAOIFI Shari’ah Standards**)
2. A **Sukuk Issuance Agreement** will be entered into between Investment Agent and the Issuer, by which **The Bank of Punjab** will be appointed as the Investment Agent for the purpose of Sukuk Issue and will state the responsibilities of both the parties during the tenure of the Sukuk Issue. --**Based on Sukuk Standard 17 - Investment Sukuk of AAOIFI Shari’ah Standards**





**Al-Hilal**  
— Shariah Advisors —

3. A **Musharakah Agreement** shall be entered into between the Issuer and the Issue Agent (for and on behalf of the Investors), on behalf of the Investors, for Investment in the Sukuk Issue against which Issuer shall issue sukuk certificates for the face value of the sukuk. At the end of the Sukuk Issue tenure, the Issuer shall pay to the Sukuk Holders the Face Value of the certificate as per the terms of the transaction documents along with any further profit after due calculations (as per the Shariah Structure). However, in case of loss, Investors will bear the loss on pro-rata basis in ratio of their investments in the Musharakah i.e. **14:5% :85:41%** – **Based on Shirkat ul Aqd Standard 12 - Sharikah (Musharakah), and Modern Corporations of AAOIFI Shari'ah Standards.**
4. The structure will not be using a **Special Purpose Vehicle (SPV)** since Investors are investing on Shirkat-UI-Aqd basis to finance working capital needs that's why assets can't be segregated The business for production (or making available power generation facility for production) and selling electricity to its customers; therefore, assets shall not be parked in a separate SPV. The same is mentioned in the shariah vetting certificate of the shariah compliant security, thus, confirming compliance with clause 6(3) and 7(4) of the Sukuk (Privately Placed) Regulations, 2017.



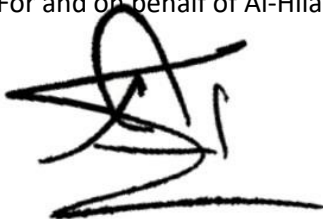
**Observations of the Shariah Advisor:**

Keeping in view the above-mentioned points of the Sukuk Issue, it is resolved that the structure of unsecured, Privately Placed Short term Sukuk of PKR 5,000,000,000/- (Pak Rupees Five Billion Only) inclusive of green shoe option of PKR 2,000,000,000/- (Pak Rupees Two Billion Only) issued by the Issuer is Shariah compliant and does not have any element repugnant to the Shariah principles and the Sukuk guidelines issued by the Securities and Exchange Commission of Pakistan from time to time. In addition, Shariah Advisor further pronounces that:

- There is no involvement of Riba as there is no profit on loan instead the Structure is based on Shirkat-ul-Aqd (Musharakah) on the basis of Profit and Loss Sharing Mechanism.
- The return to Investors is derived from the profit generated through the Musharakah business as the contribution of Sukuk Issue will be utilized for advancing funds to the Issuer on Musharakah basis for producing, generating and selling of electricity to its consumers.
- The Sukuk Issue is based on Musharakah concept and does not carry Gharar (Uncertainty) in relation to tenure, profit/loss sharing and principal redemption, as the same will be clearly stated in relevant Musharakah agreement.
- All above legal agreements (Sukuk Subscription and Issue Agency Agreement, Sukuk Issuance Agreement and Musharakah Agreement) are based on Musharaka (Shirkat-ul-Aqd) and are consistent with the Shariah Principles.
- The structure will not be using a **Special Purpose Vehicle (SPV)** since Investors are investing on Shirkat-Ul-Aqd basis to finance working capital needs that's why assets can't be segregated for the business of manufacture and sale of paper & paper board of all kinds and corrugated boxes; therefore, assets shall not be parked in a separate SPV. The same is mentioned in the shariah vetting certificate of the shariah compliant security, thus, confirming compliance with clause 6(3) and 7(4) of the Sukuk (Privately Placed) Regulations, 2017.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

For and on behalf of Al-Hilal Shariah Advisors (Pvt.) Limited.



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

Date: **February 16, 2024**