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## IIRA Finalizes Ratings of SDG1bn Sukuk Issue of Sudatel Telecom Group Limited

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**Manama, July 22, 2020** – Islamic International Rating Agency (“IIRA”) has finalized the assigned ratings of ‘BBB(sd)’ (Triple B) on the national scale to the proposed 5 year SDG1bn Sukuk issue of Sudatel Telecom Group Limited (“STG” or “the Company”), upon review of preliminary legal documents. The assigned ratings have been anchored to the national scale ratings of STG at ‘BBB’ (Triple B) assigned in February 2020. Assigned Sukuk rating takes into account the continued supply of underlying airtime / e-vouchers remaining a function of the continued viability of STG as the e-voucher asset generating firm. The rating considers the structured nature of the Sukuk that provides priority of sale to airtime vouchers underlying the transaction and an escrow account that specifically collects proceeds thereof.

The proposed transaction is structured as a Mudaraba structure that shall designate STG’s specific pool of e-vouchers / call cards (airtime) as the underlying asset under the name of Sudatel 2<sup>nd</sup> Investment Fund (“the Fund” or “SPV”) . The proposed transaction is considered first in its kind in the Sudanese capital market. Financial Investment Bank (“FIBA”) has been appointed as a Mudarib, responsible for managing the Fund that shall be specifically created for the aforementioned Sukuk issuance purposes. The Fatwa on the proposed structure and repayment arrangement has been obtained from FIBA Shari’a Supervisory Board.

The proposed transaction entails a purchase and agency agreement signed between STG and FIBA, under which the Fund shall purchase the specific pool of e-vouchers / call cards, thereby forming the cash flow generating assets for the SPV, which shall be distributed to agents for sale to end-customers. Adjusting for the purchase cost and related expenses of the Fund, the anticipated net realized profit shall be distributed monthly to the Sukukholders and Mudarib at a pre-determined distribution ratio as mentioned in the Fund’s prospectus. Ahead of the scheduled maturity, Mudarib shall cease to purchase airtime from STG and principal repayment will be made through designated assets’ monetization at the time of maturity. The transaction also allows early liquidation after 3 years of the date of the issuance, under which the repayment shall be in the same manner as explained above.

STG expects to use the proceeds from the proposed Fund for the purpose of funding working capital requirements and business expansion of its local Sudan-based operations. As such, deployment of the proposed Sukuk funds other than long-term business expansion purposes may not be viewed favorably. However, the proposed Fund instrument embeds certain risk mitigation mechanisms. Airtime vouchers underlying the transaction will be sold on priority basis; total expected sales leave adequate margin over subject e-vouchers, to allow protection of expected sale proceeds, even under stressed sale conditions. It may be noteworthy that the proposed Sukuk is secured with sale proceeds expected to be routed through a specified escrow account and floating charge for specific STG assets to the Fund against any possible risk. This shall be expected to provide relative security to Sukukholders by way of segregating the proceeds from sale of designated e-vouchers from STG’s other cash flows needed to service other expenses and obligations.

For further information on this rating announcement, please contact IIRA at [iira@iirating.com](mailto:iira@iirating.com).