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| **Product Overview:**  Alfalah Istisna is a product in which sale of those goods takes place which requires manufacturing /construction. This is obligatory for manufacturer/builder (contractor) to deliver the manufactured goods to purchaser on completion date. It is an exception to the rules of sale where a sale is allowed without immediate delivery of the goods sold. It relates to the goods that requires manufacturing. |
| **Underlying Islamic Mode:**  Istisna |
| **Type of Product:**  Corporate/ Commercial/ SME/Consumer |
| **Basis for Pricing Return:**  KIBOR + Spread |
| **Basic Concepts:**  **Step 1: Order to Manufacture by Bank**  Customer and Bank enters into an Istisna Agreement under which Bank orders the customer to manufacture a certain Asset (specified items) for Bank against Flexible payment option (either advance or deferred payment).  **Step 2: Delivery of Asset by the Customer**  After manufacturing the asset, the asset is delivered to the bank by the customer.  **Step 3: Sale of Asset in the market**  After taking delivery bank sells the asset into the market either directly or by appointing someone as his agent or the by customer as an agent). |
| **Tijarah Product Variance**   * Istisna-Export * Istisna-l,ocal * Istisna-USD/FE-25 * Islamic Export Refinance Facility([ERF)-Under Istisna |
| **Application of Falah Tijarah:**  Istisna will be used quite easily to facilitate financing requirements of trade finance and industry both in the  Short term and Long term for the customers of SE/ME & Corporate as follows:-  Working capital needs for man u facturing concerns can be facilitated through Istisna.   * **Trade Finance:**   Istisna can be used to finance exports However, Export Bill can be taken as collateral.   * **Long Term Finance:**   Medium to long-term requirements for construction of building, plant and factory can also be facilitated through fstisna. BOT ( Build Operate and Transfer) arrangements can also be financed through Istisna   * **Consumer/Corporate/Commercial Finance:**   Financing for construction of building/ Asset can be done. |
| **Maximum financing limit:**   * Small Enterprises (SE): 25Mln * Medium Enterprise (ME): 200Mln * Commercial Customers: Exceed Rs.200Mln * Corporate Customers: Exceed Rs.300Mln |
| **Tenure (Minimum and Maximum)**  **Financing to Personal Borrowers:**   |  |  |  | | --- | --- | --- | | S. No. | Facility Type | Maximum Tenor | | 1 | Trade Finance | Up to 180 days | | 2 | Working Capital Finance | Up to 1 year | | 3 | Secured term advances | Up to 7 years |   **Corporate Commercial and ME/SE Products**  To cater to long term finance requirements of a customer, the bank offers various term finance facilities under Islamic structures – duly approved by Shari'ah Board - which stretch beyond a period of 12 months.  Other Salient Features:     * Istisna can be used for financing where production and value addition is required. * Istisna can fulfill all Working Capital Requirements (including payment of overheads etc) of the Corporate/ Commercial/ SME sectors at different stages of manufacturing. * It is not permissible that the subject matter of an Istisna contract be an existing and identified capital asset.  This is because Istisna is a sale contract applicable to items that are identified by specification, not by Designation. * The price of an Istisna contract may be paid in advance or deferred or paid `in installments within a certain period of time or at the time of delivery of goods or even after delivery of goods. The buyer can also connect payment of price with the stage of completion of the work. * The time of delivery of goods necessarily to be fixed in Istisna and a maximum time may be agreed upon between the parties. |