



IBA CEIF Islamic Finance Research Challenge

Objective:

To demonstrate students' skills and abilities as emerging finance experts, and help them hone their problem solving and innovative thinking skills.

Overview:

The challenge involves complete shariah-compliant conversion of companies under KSE-100 Index. The conversion would encompass both asset and liability side of the balance sheet.

The challenge is comprised of three phases:

1. Selection of a Company, University mentor, and submitting brief proposal on Introduction of the company, ratio analysis as per screening criteria provided, and identification of problematic areas that need conversion.
2. Shortlisted groups based on phase-1 submissions would submit a detailed plan for conversion of non-shariah compliant assets and liabilities of the chosen company into shariah compliant alternatives, along with analysis of benefits and challenges of proposed conversion.
3. Final Presentation to Jury Panel of shortlisted proposals.

Entry Requirements:

- ✓ BBA/BS/MBA/MS Students all across the country. [Bachelors students to be from Semester 3 or above]
- ✓ Islamic Finance faculty of the respective university as mentor (to be selected before phase-1)
- ✓ Islamic Finance professional as mentor (to be selected before phase 2)- optional
- ✓ Company/sector expert (for phase 3, if available)- optional

Team Size:

Each team to consist of 3-4 members.



Challenge Details:

Registration and Phase 1:

- Register a team of 3-4 students, along with choosing a university teacher as your mentor.
- Choose a company from KSE-100, which you think would be appropriate for a detailed Shariah compliant conversion. [Any company whose Business model/ products produced are non-shariah compliant, should not be chosen e.g. conventional banks, Tobacco companies etc].
- Submit a PDF document, which should cover the following: [**Submission deadline: 6th March-2022**]
- Brief profile of the chosen company.
- Brief financial analysis of Latest audited financials available, in terms of sales growth, profitability, leverage, liquidity, and repayment capacity.
- Calculate following ratios based on latest available audited financials:
 - Total Debt/ Total Assets
 - Total non-shariah compliant debt/ Total Assets
 - Total Non-shariah compliant Debt/ Market Capitalization
 - Total Illiquid Assets/ Total Assets [Inventory to be considered Illiquid too]
 - Non-shariah compliant Investments/ Total Assets
 - Non-shariah compliant Income/ Total Income
 - Net liquid assets/ Total assets [Net liquid Assets= Total Assets- Illiquid Assets- LT liabilities- Current Liabilities]
 - Net liquid Assets per share
 - Operating cycle days
 - Cash cycle days
 - Working capital requirement [COGS per day* operating cycle days]

Phase 2:

- You may choose an Industry Professional who would assist you in the project. This should be done before Phase-2.
- Based on Phase-1 submissions, shortlisted groups would be announced for Phase-2 by 20th March 2022. Thereafter, the shortlisted groups would have to submit detailed proposal for conversion of the company, by **17th April 2022**.
- Shortlisted Groups for Phase-2 would be given an online training regarding Islamic Financing Products to help them with the conversion proposal.
- The proposals should include:
 - Discuss Business model of the company and whether it is shariah compliant.
 - The ratios calculated in phase 1, should be calculated for latest available 3 years Audited financials data.



- List down shariah screening criteria of KMI, and evaluate whether the criteria/ratio under each methodology where the company does not meet shariah compliance threshold.
- Evaluate Assets, Liabilities, Investments and Income of the company to highlight what specific areas and amounts are non-shariah compliant and need conversion [based on latest Audited financials].
- Describe the plan/procedure for conversion of each non shariah compliant elements into shariah compliant alternative. Name the shariah alternative, describe the shariah compliant product/alternative in details, mention the amounts and procedure for conversion. Also for each conversion, discuss the challenges that might be faced for the said conversion, and the benefits of the proposed alternative.
- Please note that the purpose of conversion is not to merely meet minimum screening criteria of KMI Index, but to make the company 100% shariah compliant in all aspects. After your proposed conversion, the company should be fully shariah compliant, with no non-shariah compliant element or aspect remaining.
- Reproduce the latest Audited Financials Income statement and balance sheet position post-conversion.
- Recalculate the ratios calculated in phase-1, based on your post-conversion financials.
- You can also analyse policies, contingencies or any other aspects of the company that are not in-lieu with shariah teachings and propose changes for those too. This would be a bonus to your conversion proposal.
- Any other relevant details to supplement and add value to your conversion plan as per your own innovation and creativity.

Phase 3:

- Based on phase-2 submissions, shortlisted groups would be announced to prepare power-point presentation and present to the Jury Panel in Karachi.
- Tentative date of presentations would be during second week of May.
- TA/DA would be provided to groups shortlisted from outside Karachi.
- Winner would be decided by the Jury based on the presentations by Phase-3 shortlisted groups.



Prize and awards:

- Certificates to all candidates who make it to Phase-2.
- Rs 100,000 Cash prize for the group achieving First Position, and Rs 50,000 Cash Prize for the Runners up group. [along with shields]

Contact:

In case of any queries please email at islamicfinancechallenge@gmail.com, or message on our facebook page [<https://www.facebook.com/IFchallenge.IBACEIF>], or call/message at 0333-7441212, 0340-3062351, 0333-9836355

Registration link:

Visit this link <https://t.ly/b5X8>

Or scan this QR code

