

Iran Borrowers Seen Sparking Sukuk Frenzy as Sanctions Phase Out

by Daria Solovieva

Iranian companies starved of foreign currency are planning sales of dollar-denominated sukuk as soon as sanctions are lifted.

About 180 companies are considering Islamic bond sales in 2016 after a decade of international sanctions, according to Hossein Saeedi, a senior financial analyst at the corporate finance division of Tehran-based Amin Investment Bank, which has \$1 billion under management.

The companies have “already started planning to design specific financial instruments to attract foreign investors to come to the Iranian market,” Saeedi, who says he’s been in talks with some of them, said by phone Monday. “If the sanctions are lifted, they are looking for aggressive sukuk financing.”

Iran is home to the world’s biggest Islamic banking industry, with assets estimated at \$482 billion, more than Saudi Arabia, Malaysia and the United Arab Emirates combined, according to Dubai government data. A landmark deal reached between the Islamic Republic and world powers earlier this month left three more months to negotiate the details, including a timetable to end the international measures, imposed over the nation’s nuclear program, that have crippled its economy.

Sukuk Ready

Oil sanctions have cost Iran more than \$200 billion in lost exports since 2012, Adam Szubin, a senior U.S. Treasury official, said last month.

U.S. and European Union sanctions restrict Iran’s oil exports and isolate its banks from the global financial system. Those imposed by the United Nations bar trade in proliferation-sensitive technology and military equipment. The pace of sanctions relief and the extent of UN inspectors’ access are among the biggest hurdles to a final deal.

“If financial sanctions are lifted, there will be high demand for any type of U.S.-dollar issuance from Iranian companies as the trajectory of the country will shift dramatically and there are tremendous growth prospects,” Emad Mostaque, a London-based strategist at research company Ecstrat Ltd., said by e-mail on Monday.

Rial Plummet

Market instability and currency fluctuation have been among the impediments to growth of Islamic finance in Iran, according to Abu Dhabi-based Amir Kordvani, an associate at law firm Clyde & Co, said by e-mail on April 27.

“It will take some time for the Iranian sukuk market to compete with major Islamic finance markets such as Malaysia,” he said.

The rial has depreciated about 60 percent against the dollar since the end of 2011. It was at 28,370 rials on Wednesday, according central bank data.

Companies keen to sell dollar sukuk are in industries ranging from petrochemicals to communications, Amin Bank’s Saeedi said.

“We plan to be ready as soon as the sanctions are lifted,” Saeedi said. “The demand is here and it’s really large.”