



## Rating Action

Lahore : 04-May-2011

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## PACRA MAINTAINS THE RATING OF SUKUK OF EDEN BUILDERS LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the rating of the Sukuk of Eden Builders Limited (EBL) at 'A' (Single A). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating reflects the strong underlying security structure of the Sukuk. It further incorporates EBL's low leveraged capital structure further augmented by recent capital injection. The rating takes into account the management's focused strategy - providing housing solutions for middle-income tier - supplemented by sound project management systems and controls. However, cash flow constraints, which can affect EBL's financial profile, are arising from the long development cycle of real estate projects and relatively depressed demand scenario. Moreover, a large proportion of the company's assets are deployed in illiquid land holdings to be utilized in future projects.

**About the Sukuk:** In order to provide financing for its upcoming project, Eden Value Homes-Extension, EBL planned to issue a privately placed Sukuk of PKR 2,000mln in September 2008. The Sukuk had a drawdown period of one year. However, due to non-materialization of the project the Sukuk was capped at PKR 468mln. The issued amount has a tenor of five and a half years and carries a profit at the rate of KIBOR plus 230bps. Beginning April 2010, four payments of PKR 29.25mln each have been made on a quarterly basis while 13 installments are outstanding. The Sukuk will be fully redeemed by October 2013.

Sukuk holders have specific and exclusive charge on 400 kanals piece of land (situated at Ferozpur Road, Lahore), and 300 kanals of land in Sialkot. Additionally, the directors have extended personal guarantees for redemption of the Sukuk in favor of the trustee.

**About the company:** Established in 2005, EBL carries the heritage of the brand "Eden", a well-known name in Lahore's real estate development business for more than two decades. EBL, through its wholly owned subsidiaries and other group companies, carries out various project activities including land acquisition, development, construction and sales of real estate projects. To date, EBL has undertaken three projects namely Eden Point, Eden Life Style Homes at Lake City and Eden Value Homes.

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