

**EDEN BUILDERS LIMITED (EBL)**

Grading (May 2008)

EDEN BUILDERS LIMITED

	INITIAL
DEVELOPER GRADING	PE2

FINANCIAL DATA

PKR (MLN)

	31-Dec-07*	30-Jun-07
Total Assets	1,135.2	1,107.7
Equity	696.8	695.1
Turnover	36.3	49.3
Net Income	1.7	20.6
Debt/Equity (%)	61.3	55.6

*(Unaudited)

ANALYSTS

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PROFILE

- EBL is sponsored by the Chief Executive, and his sons, Muhammad Hammad Arshad and Muhammad Murad Arshad. The overall control of EBL vests in the Board of Directors, which is dominated by the family members.
- The CEO of the company, an architect by profession and highly qualified person in the field of construction, engineering, and architecture, is assisted by a team of experienced personnel

GRADING RATIONALE AND KEY DRIVERS

- The grading denotes Eden Builder's strong project execution capacity with higher promising prospects of project completion. At the same time, the ability to transfer ownership as per plans is also very propitious.
- The grading is dependent on the management's success in evolving and strengthening its project management framework inline with intended business expansion targets. Eden Builders Limited is in pursuit of aggressive expansion and effectiveness of various measures being taken by the management to strengthen planning and monitoring systems to ensure that no compromise is made on quality, timeliness or cost of its projects would remain critical.

ASSESSMENT

- Eden Builders Limited (EBL), though incorporated in 2005, carries the legacy of an established name – Eden, which is a well-known name in the Lahore's real estate and developers business for more than two decades. The group has a rich experience in the field of construction and has not only been focusing on meeting the residential needs of a growing middle class by building high quality houses at affordable prices, and at the same time providing the business community with modern commercial buildings. The Chief Executive of EBL, Mr. Muhammad Arshad, being one of the two brothers who established Eden Developers (Private) Limited in eighties, was instrumental in building the franchise of Eden.
- The company plans to tap mainly middle class not only in Lahore but also in other cities of Punjab like Faisalabad, Islamabad, Sialkot, and Multan by launching multiple housing projects in these cities over the medium term. Though, to date, EBL has not completed any project, it has started working on two projects, Eden Value Homes, Lahore and The Lake City, which is a joint project with Lake City Holdings (Pvt.) Ltd.
- Eden Value Homes, located at Thokar Niaz Baig, Multan Road, Lahore was launched in housing 2007. The project covers an area of more than 750 kanal with above 2,100 housing units. More than 50% of the land would be allocated to residential units, while the rest would be utilized for infrastructure and related amenities. Currently the development work is in progress whereas the construction work is planned to start by the mid of 2008. All housing units have been sold and the company is targeting to deliver these in 2010.
- The Lake City project is a residential development, planned 13 km away from Thokar Niaz Baig, on the outskirts of Lahore. With its rich experience of constructing town houses and villas, EBL has joined the Lake City for the development of villas and town homes covering an area of around 1,500 kanal in Bella Vista Phase of the housing scheme. To date, EBL has launched more than 580 units whereas around 400 units have been sold and are planned to be delivered within 2008.
- Eden group has developed a comprehensive project planning and monitoring framework. At its incorporation, EBL inherited the same systems. Since then, the management is embarked upon streamlining and modernization of the systems. Major emphasis is placed on strengthening of control environment, wherein computerization of different procedures is currently underway. Higher reliance on technology to improve effectiveness and efficiency of operations underpin the management's strategy. EBL has a comprehensive in-house project planning and execution department, which includes engineers with different specializations and project managers who analyze, supervise and manage project development and construction. In lieu of efficient monitoring of the projects, weekly progress reports are generated which not only help the management in ensuring the timely completion of the projects but also provide cost control measures. EBL also has in-house computerized land record of its own projects. From the purchase of land to its mortgage to financial institutions every single detail is computerized. Moreover, for ensuring validity of legal titles, the company has in place a team of *patwaris*, land and revenue officers, who scrutinize related details of the land to be purchased. This has helped in minimizing disputes regarding the legal title. Moreover, EBL has established an online internal control system, which would help in timely availability of information for efficient monitoring. Recently the company, while also pursuing for ISO certification, has established Quality Assurance / Quality Control department, which would help it to adopt international standards and quality parameters through better engineering and supervisory practices and procedures.
- During FY07, due to initial stage of operations the company made revenue of PKR 49mln through sale of Eden Life Style Homes at Lake City. Though currently the company has a low leveraged capital structure, with the aggressive growth plans more leveraging would be required going forward. Nevertheless, with the launch of the projects and cash inflows in the form of customer installments company would have adequate capacity to meet its obligations on timely basis.