



GRADING (SEPTEMBER 2009)

EDEN BUILDERS LIMITED (EBL)

	NEW	PREVIOUS
Developer Grading*	DG2-	DG2

*PACRA changed the nomenclature for Developer Grading to DG from PE in 2009

FINANCIAL DATA
PKR (mln)

	FY09*	FY08	FY07
Total Assets	3,744	2,738	1,108
Equity	1,392	1,089	695
Revenue	312	242	49
Net Income	150	72	21
EBITDA	296	180	36
Debt/ Equity (%)	109.1	99.1	55.6

*based on unaudited accounts

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GRADING RATIONALE AND KEY DRIVERS

- The grading reflects Eden Builders' strong project execution capacity emanating from its well designed systems and control framework, supported by an experienced team. However, the brand name "Eden", in addition to Eden Builders, is currently being used by two other offshoots of the Eden Group – Eden Developers and Eden Housing – diluting the company's control over and effectiveness of its brand image. This, coupled with the challenging operating environment, could exert pressure on sales.
- The grading is dependent upon the management's ability to devise and implement a strategy to ensure brand distinction. Meanwhile, the management's success in completing its projects within the stipulated timeframe and budgeted costs, and further strengthening its systems and controls, remains critical.

ASSESSMENT

- The real estate sector in Pakistan witnessed substantial growth in recent years. However, the recent economic downturn and the high inflationary environment has eroded the purchasing power of the middle class segment and had an adverse impact on the real estate industry.
- Eden Builders, though a newly established company, is part of the Eden Group and carries the heritage of the brand "Eden", a well-known name in Lahore's real estate development business for more than two decades. The group has rich experience in the construction of housing units, mainly targeted to meet the residential demand of the middle income segment. However, the brand name "Eden" is currently being shared among Eden Builders and two other independently run businesses of the group's sponsors. These three distinct users of the brand have different capacities to deliver, which enhances the risk of brand dilution and market disenchantment. The brand equity has also suffered because of the announcement and subsequent cancellation and delivery delays in the projects of group companies.
- To date, EBL has not completed any project, but is involved in two projects: Eden Life Style Homes at Lake City and Eden Value Homes. EBL is targeting the middle class as its customers, especially for the Eden Value Homes project. While the real estate sector has suffered due to the recent economic crisis, the low competition that the company faces has ensured a relatively smooth flow of sales and few cancellations. Nevertheless, the uncertainties regarding the depth of the current downturn and the pace of eventual recovery could impact future projects.
- Eden Value Homes, located at Thokar Niaz Baig, Multan Road, Lahore, was launched in September 2007. The project covers an area of more than 750 *Kanals* and offers more than 2,100 housing units. More than 50% of the land is to be allocated to residential units, while the rest is to be utilized for infrastructure and related amenities. Currently, the development and construction works are in progress. The majority of the project (94%) has been sold, with around 66% of the revenue received. The company is targeting delivery in June 2010. The majority of infrastructure development work has been completed (67%), while construction activities are being carried out separately for different housing blocks, prioritized on booking pattern. In this regard, 42% completion has been achieved in the houses to be delivered at the earliest (Block A), followed by 19% and 2% completion in Block B and Block C, respectively.
- EBL has formed a joint venture with Lake City Holdings (Pvt.) Limited for the development of villas and townhouses covering an area of around 1,500 *Kanals* in the Bella Vista phase of Lake City. To date, EBL has launched around 500 units, whereas around 470 units have been sold. The first batch of these (around 25) is planned to be delivered by end-2009, while the remaining houses would be delivered as per the booking schedule. The majority of these are to be delivered by end-2010. Most of the development work has been completed (85%). Meanwhile, 55% of the total project cost has been incurred.
- EBL has a systematic framework of project planning that has been inherited from Eden, which developed a comprehensive in-house project planning and execution department over the years. There is a centralized Project Coordination Cell (PCC) in place for the monitoring and supervision of all projects. On-site supervision is then carried out by a Project Manager, who is supported by site engineers and other professionals. The Project Manager is assisted by a Quality Control department. While weekly progress reports are generated by the PCC, the company lacks a centralized MIS system for integrated reporting and project management. Meanwhile, EBL has an in-house computerized land record database, which includes details ranging from the purchase of land to its mortgage to financial institutions. Moreover, for ensuring validity of legal titles, there is a team of *patwaris*, land and revenue officers in place, who scrutinize related details of the land to be purchased. This has helped in minimizing disputes regarding the legal title.

PROFILE

- Established in 2005, EBL is sponsored by its Chief Executive, Mr. Muhammad Arshad, and his two sons. The overall control of EBL vests in the three member Board of Directors, which is solely composed of its sponsors.
- The CEO of the company, Mr. Muhammad Arshad, an architect by profession and a highly qualified person in the field of construction, engineering and architecture, is assisted by a team of professionals.