



**GRADING (APRIL 2009)**

**EMAAR DHA ISLAMABAD LIMITED (EDIL)**

	<b>New</b>	<b>Initial</b>
<b>Developer Grading</b>	<b>PE2+</b>	<b>PE1</b>

**FINANCIAL DATA**

PKR (mln)

	<b>31-Dec-08*</b>	<b>31-Dec-07</b>
Total Assets	5,698	3,371
Equity	449	847
Advances from Customers	2,306	1,972
Net Income	(398)	(11)

\* Based on unaudited accounts

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**GRADING RATIONALE AND KEY DRIVERS**

- The grading indicates EDIL’s strong project execution capacity. Meanwhile, prospects of execution of real estate projects as per plan and the ability to transfer ownership as per terms are highly promising. At the same time, the grading recognizes challenges being faced by EDIL due to subdued operating environment, which has led to pressure on sales and ensuing cashflows. Moreover, the financial profile of Emaar Properties (company’s ultimate parent) – support from Emaar is a key grading factor – is impacted due to current global economic slowdown.
- The grading is dependent on the management’s commitment and effectiveness in completing the project within stipulated time frame and budgeted cost. Meanwhile, consistent cashflow generation, amidst current economic situation, would remain critical.

**ASSESSMENT**

- The real estate sector in Pakistan witnessed substantial growth in recent years, in line with benign economic environment and various government incentives to encourage investments in the sector. This led to influx of various established players in the local arena. However, the recent global financial crisis has led to price meltdown in real estate industry in developed economies and effects of these events, though to a lesser extent, have started impacting the local industry as well. Furthermore, the challenging environment in Pakistan – highlighted by high interest rates, limited credit expansion and slowdown in GDP growth – could further stress the domestic demand.
- Emaar Islamabad, a 67:33 partnership between Emaar and Giga Group, has entered into an arrangement with Defence Housing Authority, Islamabad (DHAI) to develop residential facilities in different parts of DHAI. To execute these projects, Emaar DHA Islamabad Limited (EDIL) was incorporated in 2005. EDIL is currently a wholly-owned subsidiary of Emaar Islamabad. However, DHAI would also have equity stake in EDIL upto a maximum of 30%. The capital of DHAI would be issued gradually in lieu of land (approximately 2,500 acres), which would be transferred to EDIL for onward development.
- EDIL has announced two residential projects in DHA Islamabad: Highlands and CanyonViews. The company has initially started with the development of CanyonViews, and launched Mirador villas and Alma Townhomes. Located in DHAI’s Phase-II (Extension) and spread over 1,000 acres, CanyonViews is a residential community offering different recreational and social amenities. The project progress has remained largely on-track, though there have been delays in initial delivery targets – mainly due to delays by DHAI in timely transfer of land – albeit these are within agreed terms.
- EDIL enjoys a clear edge over most of the real estate developers working in Pakistan, mainly because of its strong affiliation with Emaar. It is following the same robust system of procedures, policies and controls employed elsewhere by Emaar. Moreover, given the strong reputation of Emaar, it remains relatively easy for the company to attract and retain reputed consultants/contractors, thus, ensuring timely mobilization of different resources. However, the financial condition of Emaar Properties (the parent company) has lately come under pressure owing to global economic turmoil.
- The business-model of Emaar is based on complete outsourcing of all operations. In line with this model, EDIL has delegated all major activities to specialists in these fields. In this regard, the company has engaged reputed firms for project management, designing, development and construction activities. The company has appointed world-renowned Turner International Middle East Ltd. as project manager, which co-ordinates, monitors and reports activities of all parties engaged in various phases of the project.
- The company maintains a debt-free capital structure with a strong equity base of PKR 1,200mln being utilized to absorb initial costs. Going forward, amidst pressure on sales and mounting development costs, the company would require funding from external sources. Nevertheless, as per the management plans, leveraging would be kept at a moderate level.

**PROFILE**

- Emaar Properties is a UAE based public joint-stock company and is listed on the Dubai Financial Market. The company, incorporated in 1997, has expanded significantly to become one of the world’s leading real estate developers. The company plans to develop projects in Karachi, Lahore and Islamabad and has already started working on different commercial and residential projects mainly in partnership with the GIGA group.
- The Managing Director of EDIL, Dr. Dia Malaeb, holds a PhD in Civil Engineering from USA, and has more than 25 years of diversified experience in the areas of contracting, project management, and real estate development. He has recently taken charge of Emaar’s Pakistan operations.

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