



EMAAR GIGA KARACHI LIMITED (EGKL)

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GRADING

Emaar Giga Karachi Limited has been assigned a grading of PE1, which indicates very strong project execution capacity with most promising prospects of execution of real estate projects as per plan and the highest ability to transfer ownership as per terms.

DEVELOPER GRADING PE1

BACKGROUND AND BUSINESS

FINANCIAL DATA

Amounts in PKR million

	30-Jun-07*	31-Dec-06
Development Properties	2,359	1,607
Total Assets	2,678	1,838
Equity	1,505	653
Debt/Equity (%)	43	149

* Based on un-audited results for 6-months.

ANALYSTS

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- Emaar properties, incorporated in 1997, a UAE based company, listed on the Dubai Financial Market, is a leading real estate developer. In its bid to establish internationally it has started expanding its business outside the UAE through different joint ventures in other regions including USA, UK, Canada, China, Jordan, India, Egypt, Turkey, Morocco, Syria, Tunisia, Saudi Arabia, Indonesia and Pakistan. In the backdrop of improving economic conditions in the country, Emaar has identified Pakistan as offering great potential for growth in the real estate sector.
- The company intends to develop projects in Karachi, Lahore and Islamabad. It has already started working on different projects in Karachi and Islamabad while forming joint ventures with Giga group – established by a Pakistani family based in UAE with main interests in commodities trading and real estate development. Emaar Pakistan plans to develop a number of planned communities covering both residential and commercial amenities. Emaar Giga International FZCO, UAE (EGI), a partnership between Emaar and Giga, with Emaar as the major shareholder, is responsible for projects to be undertaken in Karachi.
- For its first project in Karachi, Crescent Bay, EGI has entered in an agreement with Defence Housing Authority, Karachi (DHAK), to develop a unique residential, commercial and retail community. For the execution of this project, Emaar Giga Karachi Limited, a wholly owned subsidiary of EGI, was incorporated in 2005. All the land for the project has been reclaimed from sea after the approval from DHAK.
- Crescent Bay is Pakistan's first project being developed on a piece of 108 acres of land reclaimed from sea. It is located within Karachi's DHA Phase VIII. The project will include over 40 high and mid-rise residential and commercial towers upto 300 ft height with distinctive architectural styles for each tower and a 5 star beachfront hotel. The Crescent Bay, according to existing master plan would have more than 4,000 residential apartments at completion. The land allocation would be a combination of 45% residential, 23% commercial, 16% infrastructure and rest 16% for leisure and community activities. The project will be executed in a phased manner and launch of different segments would be timed with demand to ensure maximum bookings at intended prices. The company plans to complete the project in the next five to seven years.
- Emaar, as a practice, only conceives and supervises the projects through in house teams and actual execution is outsourced to other organizations with established credentials in respective fields. In line with this practice, EGKL has hired various independent international professional associations like Halcrow International Partnership for master designing and planning, Mazood Giga International Construction Company for reclamation and edge protection works, E.E.C for infrastructure designing, and planning, Expotek Consultancy Services, Urbanisma Consulting Group, Design World Wide Partnership, Mazen N. Issa and Halfords Associates for tower designing functions. In this regard a key resource is Turner International Middle East Limited, which will co-ordinate and monitor activities of all parties engaged in the development of the project. Turner, established in USA, is a world renowned project monitoring company with significant work experience in the Middle East and India. It has already worked with Emaar in a number of its projects.
- The company has completed 80% of reclamation work at the Crescent Bay including the erection of a boundary wall along the seaside. EGKL intends to open bookings for the first phase within 2007. In terms of different utilities, to be provided to residents in the Bay, DHAK, according to the conditions of the contract, shall make all arrangements regarding the provision of all utilities as per the requirements of the project.
- EGKL enjoys a clear edge over most of real estate developers working in Pakistan mainly because of its strong affiliation with Emaar Properties, which has completed multiple projects across different regions. It is following the same robust system, procedures, policies and controls employed elsewhere by Emaar. Although Emaar is new to Pakistan, it has significant experience of working in economies like Pakistan. Moreover, given the substantial size of development activity being undertaken by EGKL, it would be relatively easy for the company to ensure timely mobilization of different resources, while receiving a higher degree of support from regulatory authorities.
- During the first year of operations, EGKL, in the absence of any sale, suffered a loss on the back of marketing, administrative and finance costs. Although the company currently has low leveraging, it is likely to increase on account of ongoing development expenditure. However, the financing requirements would come down after the launch of the project as further development would be funded through customers' advances. This would keep leveraging at a low level while mitigating the financial risk.
- Mr. Mohammed Al Falasi, the Managing Director of EGKL, is a business graduate. He joined Emaar in 1998 and has been associated with operations in Pakistan since its commencement in 2004.