



Rating Action

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PACRA ASSIGNS RATING TO PROPOSED SUKUK OF EDEN BUILDERS (PVT.) LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned ‘A’ (Single A) rating to the proposed Sukuk of PKR 2,500mln by Eden Builders (Pvt.) Limited (EBPL). This rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating reflects the EBPL’s well-conceived business strategy, which is supplemented by established project execution and monitoring systems. At the same time the rating takes into account the stringent covenants linked with disbursement of Sukuk proceeds, charges registered on all assets related to the underlying project - Eden Value Homes Extension (EVH-Ext) - additional charge on another project land till launch of EVH-Ext, and cash flows to be generated from the underlying project.

About the Sukuk: The proposed instrument is based on Diminishing Musharakah structure, an Islamic mode of financing. The total amount of the Sukuk is PKR 2,500mln (inclusive of green shoe option of PKR 500mln). The proceeds of the proposed Sukuk issue, to be received in multiple installments by EBPL within one year from the first disbursement, would be primarily utilized for acquiring land, its development, and construction for EVH- Ext. Sukuk would have a tenor of five and half years carrying profit based on 3- month KIBOR plus 200 bps, to be paid quarterly in arrears. The principal would be repaid in 16 equal quarterly installments, beginning one and half years after the date of first disbursement. Each Sukuk disbursement would be released after establishment of specific and exclusive charge on the land for the proposed project and other specific land in favor of Sukuk trustee with a 25% margin. Sukuk holders, in addition to charge on land related to EVH- Ext, would have assignment over all receivables of the project.

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