



Rating Action

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PACRA PLACES THE RATING OF *SUKUK* OF EDEN BUILDERS LIMITED UNDER RATING WATCH

The Pakistan Credit Rating Agency (PACRA) has maintained the rating of the *Sukuk* of Eden Builders Limited (EBL) at 'A' (Single A). The rating denotes a low expectation of credit risk emanating from an adequate capacity for timely payment of financial commitments. The rating reflects EBL's sound business strategy and effective project management systems and controls. Meanwhile, the rating also incorporates the stringent covenants linked with the disbursement of the *Sukuk* proceeds and the strong underlying security structure of the *Sukuk*.

The rating has been placed on 'Rating Watch', reflecting the pressure on the financial profile of Eden Builders due to the delay in Eden Value Homes Extension (EVH-Ext) project launch and the ensuing cash flows, narrowing the time for reserve build-up. The timely launch of the project and its ability to generate adequate sales, while remaining within predefined cost and time parameters, would remain critical for the rating. Moreover, the rating would be under pressure if the remaining amount of the *Sukuk* is drawn down without launching the project or changing the *Sukuk* terms, leaving inadequate room for the build-up of the repayment ability.

About the *Sukuk*: In order to provide financing for its upcoming project, EVH-Ext, EBL issued a rated, privately placed *Sukuk* of PKR 2,000mln in September 2008. The *Sukuk* is for a tenor of five and a half years (with one and a half year grace period) and carries profit at the rate of KIBOR plus 230bps. The proceeds of the proposed *Sukuk* issue are scheduled to be received in multiple installments by EBL within one year from the first disbursement (made in September 2008) and would be primarily utilized for acquiring land, developing it and constructing EVH- Ext units. Currently, PKR 480mln have been drawn down. Negotiations are underway to extend the drawdown period till end-'09, while the drawdown period has lapsed on 8th September, 2009. The principal would be repaid in 16 equal quarterly installments, beginning April-2010.

Sukuk holders have specific and exclusive charge on the land for the proposed project with a 25% margin and other specific land (300 *Kanals*) in favor of the *Sukuk* trustee. Additionally, there is assignment over all the receivables of the project.

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The Pakistan Credit Rating Agency Limited

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