



**Rating Action**

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**PACRA DOWNGRADES RATING OF PKR 200MLN SUKUK  
ISSUED BY EDEN DEVELOPERS (PVT.) LIMITED**

The Pakistan Credit Rating Agency (PACRA) has downgraded the rating of *Sukuk* issue of PKR 200mln by Eden Developers (Pvt.) Limited (EDPL) to 'BBB-' (Triple B Minus) [previous rating 'A-' (Single A Minus)]. This rating denotes a low expectation of credit risk emanating from an adequate capacity for timely payment of financial commitments.

The downgrade reflects the recent pressure on EDPL's cash flows emanating from a slowdown in economic environment, resulting in lower than projected sales. The rating also accounts for the delay in repayment of first principal installment. However, the rating takes comfort from the securitized structure of the *Sukuk* and adequate prospects of principal recovery, in a loss given default scenario.

**About the Sukuk:** The structure of the *Sukuk* of PKR 200mln is based on the *Diminishing Musharakah* arrangement. The instrument has a tenor of two years carrying profit based on 3 months KIBOR *plus* 300 bps to be paid on quarterly basis in arrears. The principal is redeemable after a grace period of one year in four equal quarterly installments commencing Aug 1, 2009. The said instrument was issued to reprofile an existing term facility of EDPL. The *Sukuk* holders have first exclusive mortgage charge over the land of the underlying housing project with 25% margin. In addition to this charge, *Sukuk* holders are assigned allocation of receivables from the project through an escrow account.

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