



**Rating Action**

Lahore: (21-Oct-09)

**Analyst**

Salman Malik  
(+92-42-3586 9504)  
smalik@pacra.com  
www.pacra.com

**PACRA MAINTAINS RATINGS OF HOUSE BUILDING FINANCE CORPORATION LIMITED**

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of House Building Finance Corporation Limited (HBFC) at “A” (Single A) and “A1” (A One), respectively. The rating of secured TFC issue of PKR 1,500mln has also been maintained at “A+” (Single A Plus). The ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the strong ownership structure of HBFC – fully owned by the Government of Pakistan (GOP) through the State Bank of Pakistan (SBP) and the Ministry of Finance (MoF). The ratings also incorporate the strong liquidity position of the corporation. Cognizant of the overall deteriorating performance, the management is in the process of restructuring – though this has faced snags in the past due to uncertainty in the top management – aimed at improving the operational efficiency and financial viability of the corporation.

The ratings are dependent on the management’s ability to effectively conduct the restructuring process and achieve a requisite level of efficiency in operations. The corporation is still in the process of negotiations with the SBP to re-profile its credit lines, the outcome of which would be important for the future prospects of the ratings. At the same time, reducing the infection trend as witnessed in fresh loans remains crucial to the ratings.

**About the company:** The House Building Finance Corporation Limited (HBFC), established in 1952 under the HBFC Act, was transformed into a limited liability company in 2007. The GoP and SBP jointly hold the share capital of the corporation. The primary objective of the Corporation is to provide financial facilities for the construction, re-construction, repair and purchase of houses, particularly to the low and middle-income groups of the economy. HBFC has a large network of 83 offices spanning across the country, managed through 12 zones with headquarters at Karachi.

In January 2009, Mr. Syed Azhar Abbas Jaffri was appointed as the new MD. Mr. Jaffri possesses significant work experience in the financial industry, mainly in banks both local and international.

**About the Sukuk Issue:** HBFC has issued a secured privately placed *Sukuk* of PKR 1,500mln in May 2008. The *Sukuk* issue is for a tenor of 6 years, carrying profit of 6-month KIBOR plus 100bps, payable semi-annually in arrears. The principal redemption would be in ten equal installments commencing from November 2009. The instrument has been secured by way of a first charge over specific assets (loans) with 25% margin. The underlying collateral is a portfolio of loans with good payment history. HBFC would ensure that the underlying security structure remains intact through the tenor of the *Sukuk*.

**Disclaimer**

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings.

PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.