



Rating Action

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PACRA ASSIGNS “A+” RATING TO THE *SUKUK* ISSUE OF HOUSE BUILDING FINANCE CORPORATION LIMITED (HBFC)

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of ‘A+’ (Single A plus) to the secured *Sukuk* issue of PKR 1,500mln by House Building Finance Corporation Limited (HBFC). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating reflects HBFC’s ownership structure – fully owned by the Government of Pakistan (GoP) through State Bank of Pakistan (SBP) and Ministry of Finance – and given HBFC’s pivotal role in GoP’s commitment in expanding the housing stock in the country, the government is likely to continue supporting the Corporation. Meanwhile, the rating recognizes the Corporation’s strong equity base signifying high-risk absorption capacity, robust underlying security against loans, and high liquidity. The rating also takes into account the recent corporatization of HBFC and ongoing restructuring process of the entity that are expected to bring the requisite level of efficiency in operations.

About the Corporation: The House Building Finance Corporation (HBFC), established in 1952 under the HBFC Act, was transformed into a limited liability company in 2007. 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 80 offices spanning across the country, managed through 12 zones with headquarters at Karachi.

Mr. Zaigham Rizvi recently completed his three-year tenor as the Managing Director (MD) of the Corporation. He was instrumental in the turnaround of HBFC and spearheaded the restructuring process. The renewal of his contract, or in case a new MD is appointed, the management’s steadfast commitment to the reforms process – including maintaining the recovery momentum and good quality fresh loan disbursements – is crucial for the future viability of the Corporation.

About the *Sukuk* Issue: HBFC is issuing a secured privately placed *Sukuk* of PKR 1,500mln. The *Sukuk* proceeds would be utilized for expanding the Corporation’s core financial operations. The *Sukuk* issue is for a tenor of 6 years, carrying profit at the rate of 6-months KIBOR plus 100bps, payable semi-annually in arrears. The principal redemption would be in ten equal installments commencing from the 18th month after the date of issuance. The instrument would be secured by way of a first charge over specific assets (loans) with 25% margin. The underlying collateral would be a portfolio of loans with good payment history. HBFC would ensure that the underlying security structure remains intact throughout the tenor of the *Sukuk*.

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