



RATING ACTION

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PACRA ASSIGNS POSITIVE OUTLOOK TO RATINGS OF PACE (PAKISTAN) LIMITED

The Pakistan Credit Rating Agency (PACRA), while assigning a positive outlook to the ratings, has maintained the long-term and short-term entity ratings of Pace (Pakistan) Limited (Pace) at 'A+' (Single A Plus) and 'A1' (A One) respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The rating of secured and listed TFCs issue of PKR 1,500mln has also been maintained at 'AA-' (Double A Minus). Meanwhile, PACRA has assigned a rating of 'AA-' (Double A Minus) to the proposed Sukuk issue of PKR 2,000mln by Pace. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect Pace's strengthening business profile, a result of the management's well articulated business strategy. The ratings also take into account the company's sound risk absorption capacity emanating from its low leveraged capital structure coupled with its adequate level of coverages. At the same time, the company continues to strengthen its niche of developing and managing concept shopping malls while embarking on new avenues to diversify its portfolio of projects.

The ratings are assigned a positive outlook based on the company's plans to raise equity through listing of its shares on a Dubai stock market, which while improving overall financial strength of the company, is expected to enable Pace to tap potential business opportunities in the real estate sector, in turn, improving its performance.

The company: Pace, incorporated in 1992, has been listed on Karachi and Lahore stock exchanges since February 2007. Pace has a diverse shareholding pattern. Apart from First Capital Group (52%), Millennium Global High Yield Fund Limited (24%) is the other major shareholder of the company. First Capital group has interests in diversified businesses including financial services, telecom, insurance, media and real estate. Mr. Salmaan Taseer – the CEO of Pace and a key individual behind First Capital group – is a chartered accountant having senior management experience of over four decades.

The proposed Sukuk: Pace intends to issue a privately placed Sukuk of PKR 2,000mln in the near term for a period of 5 years on diminishing musharakah basis. Profit would be repayable at the rate of six months KIBOR plus 1.25% with a floor of 6% and a cap of 16.5%. The musharakah units are to be purchased semi-annually in six consecutive periods after a grace period of 2 years. The issue would be secured by way of equitable mortgage over land of Pace Karachi multi-use project and first ranking hypothecation charge over all present and future assets of the project alongwith assignment of receivables of the company.

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