



Rating Action

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PACRA ASSIGNS RATINGS TO PACE (PAKISTAN) LIMITED AND ITS PROPOSED SUKUK

The Pakistan Credit Rating Agency (PACRA) has assigned Pace (Pakistan) Limited (Pace) long-term and short-term entity ratings of “A” (Single A) [Previous: A+] and “A1” (Single A One), respectively. Meanwhile, a rating of “A+” (Single A Plus) has been assigned to the proposed Sukuk of PKR 400mln by Pace. Moreover, the rating of the issued TFC of PKR 1,500mln has been adjusted to A+ (Single A Plus) [Previous: AA-]. These ratings denote a strong capacity of timely payment of financial commitments.

The ratings reflect the company’s sound risk absorption capacity emanating from its low leveraged capital structure coupled with adequate level of coverages. The ratings also recognize Pace’s well-established position in its niche real estate market – development of shopping malls. However, at the same time, the ratings take into account the pressure on the financial profile of the sponsors and need for strengthening the overall governance environment of the company.

About the company: Pace (Pakistan) Limited (Pace), incorporated in 1992, was acquired by First Capital Group (FCG) in 1998. The company has been listed on Karachi and Lahore stock exchanges since February 2007. Pace has a diverse shareholding pattern. Apart from FCG (39%), Millennium Global High Yield Fund Limited (MGF) (19%) – an overseas hedge fund – is the other major shareholder of the company. Mr. Hoqani – an Omani investor – alongwith Mr. Salman Taseer and associates are key sponsors of FCG. The group has interests in diversified businesses including financial services, telecom, insurance, media and real estate.

TFC/Sukuk Issues: Pace issued its first secured and listed TFCs of PKR 1,500mln in Feb-08 for a tenure of 5 years. Moreover, the company intends to issue a privately placed Sukuk of PKR 400mln in the near term for a period of 3.5 years (including 1 year grace period) on diminishing musharakah basis to finance the development of two projects in Lahore. Profit is repayable at the rate of six months KIBOR plus 3.50% in arrears.

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