



May 2010

New Urban Communities Authority (NUCA)

Rating Table:

Category	Current Rating	Previous Rating
Instrument Rating: Senior Secured	AAA	n.a.

MERIS (Middle East Rating & Investors Service) assigned the national Scale Rating of New Urban Communities Authority (NUCA) – second corporate bond - with an “**AAA**” with a “**Stable**” Outlook for the proposed Senior Secured Issue. The bond amounts to EGP 5.0bn, split into two equal tranches. The bond is guaranteed by the Ministry of Finance (MoF).

An “**AAA**” rating denotes that the issue represents the strongest creditworthiness and the lowest likelihood of default relative to other domestic issues.

This is the second repeated corporate bond issued by New Urban Communities Authority (NUCA) within 2010, it worth mentioning that the second corporate bond amounts to EGP 5.0bn which have the same structure and strength of the first issue.

Strength of the transaction

The AAA rating assigned is supported by a tight unconditional and irrevocable guarantee issued by the MoF dated April 2010, covering any eventual deficit in the payment of coupon, principal or senior fees and expenses of NUCA's bond, which makes the probability of default on the bond equal to that of the Sovereign, in addition to the MoF authorization to the Central Bank of Egypt (CBE) to deduct any shortfall in NUCA account from the MoF's account with the CBE and to transfer these amounts to Misr for Central Clearing Depository and Registry in the due date of any obligation.

Authority Overview

NUCA as an economic authority is responsible for developing and controlling the Egyptian real estate resources. Although, it is considered legally independent, NUCA is fully owned and closely controlled by the Government of Egypt through the Egyptian Ministry of Housing, Utilities and Urban Development (MHUUD). **MERIS** therefore views NUCA as a de facto government agency.

Among the main goals of the authority are:

- Development of new urban communities;
- Redistribution of the population away from the Nile Delta narrow strip.
- Establishment of new attraction areas outside the existing cities and villages.

The authority's implementation plan includes the following:

- Planning and development of 22 new cities.
- Offering attractive land buying opportunities in order to draw in investors/real estate developers.
- Developing affordable housing projects for low income groups.
- Preparation of a comprehensive development plan and development map of Egypt till 2017, identifying the optimum areas for the development of new urban communities.

According to the Egyptian law (Law No. 59/1979) and the legal opinion addressed to **MERIS** by the independent legal advisor, NUCA is not subject to Egyptian bankruptcy law.

Although, NUCA is not rated on a standalone basis, for the reasons noted above (i.e. MoF guarantee) the rating is likely to be very close to that of the Egyptian Government.

Financial Highlights

NUCA (FY June 30th)			
Figures in EGP mn	FY06/07	FY07/08	FY08/09
Cash and Cash Equivalent	9,905.3	4,175.4	1,327.4
Inventory	7,726.1	7,647.0	8,920.0
Projects in progress	2,587.6	2,676.8	3,450.2
Debtors	6,459.4	11,318.7	18,384.7
Long-term Debt	8,985.8	8,490.0	8,178.1
Paid-in capital	456.5	453.3	475.6
Total Assets	48,269.7	60,162.1	73,952.7
Total Revenue	3,186.6	4,065.4	5,268.7
Net Profit	793.3	999.2	426.22

Bond structure:

The second issue – which is a repeated transaction of the first corporate bond - is split into two equal tranches; the tranches are neither convertible nor callable and will be paid as a bullet payment at the end of the transaction. The tenor of the first trache – which will be traded publicly – will be five years; it will carry a floating rate equal to the weighted average of the 182 day treasury bills plus a premium of 0.625%, to be paid semi-annually. The private placement note will be paid over 13 months – and will carry a fixed interest rate equal to the weighted average of the latest one year treasury bills plus a premium of 0.375%, to be paid with the principle. It is worth mentioning that the bond proceeds will be used in funding infrastructure development/programs.

As we highlighted earlier, the timely payment of principal and interest of the bond, as well as any other bond-related expenses, will be covered by an unconditional and irrevocable guarantee issued by the MoF. The guarantee covers any eventual deficit in the payment of coupon, principal or senior fees and expenses of the bond and will be executed by means of an irrevocable authorization to the Central Bank of Egypt (CBE) from the MoF to debit its accounts with any insufficient amounts in the due date of any obligations of coupon, principle or senior expenses and to transfer the due amounts to NUCA-Bondholders' account at Misr for Clearing Settlement and Central Depository. To ensure the timely payment of senior fees and expenses, coupon and principal of the bond, the CBE will check the accounts of NUCA four working days before the due dates for payment under the bond, and in case of insufficient balance, the CBE will withdraw the respective amount from the MoF account.

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Appendix 1: National Rating Scale

National Scale Ratings (NSRs) are intended as relative measures of creditworthiness within a narrowly defined peer group, as compared to the full universe of rated entities, and thus differ from global scale ratings. The NSR peer group is typically limited to those issuers active within a single domestic capital market (Egypt). NSRs may be assigned to any debt obligation offered within a domestic capital market, whether or not denominated in the relevant local currency, with all appropriate credit risk elements – including transferability and convertibility – factored into the rating. NSRs are often thought of as excluding certain country level risks. In fact, NSRs attempt to reflect the same credit risks that are considered in a globally comparable rating.

Quality of credit	Long	Short	
Gilt edged	AAA	Prime 1	Investment Grade
Very high	AA+		
	AA		
	AA-		
Upper-medium	A+		
	A		
	A-		
Medium grade	BBB+		
	BBB		
	BBB-		
Questionable	BB+	Not Prime	Speculative Grade
Poor quality	BB		
	BB-		
	B+		
Very poor	B		
	B		
	CCC+		
	CCC		
	CCC-		
	CC		
	C		

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