



The Pakistan Credit Rating Agency Limited

Rating Report

786 Investments Limited

Report Contents

1. Rating Analysis
2. Rating Scale
3. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
20-Dec-2024	AM3	-	Positive	Maintain	-
22-Dec-2023	AM3	-	Stable	Maintain	-
23-Dec-2022	AM3	-	Stable	Maintain	-
24-Dec-2021	AM3	-	Stable	Maintain	-
24-Dec-2020	AM3	-	Stable	Maintain	-
27-Dec-2019	AM3	-	Stable	Maintain	-
28-Jun-2019	AM3	-	Stable	Maintain	-
28-Dec-2018	AM3	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

786 Investments Limited ("786IL" or the "Company") is a public listed company incorporated in Pakistan and is affiliated with the renowned "First Dawood Group," which has a significant presence in the financial market through key entities such as Dawood Hercules Chemicals, Dawood Yamaha, Dawlance, and Descon Engineering. As a listed company, 786IL prioritizes board-level transparency, which supports its rating. In addition to this, an experienced management team and an established organizational framework bode well for the rating. The positive outlook reflects improvements across key performance areas, including investment management, fund performance, and the expansion of its fund slate. In Oct'24, the Company launched a new fund 786 Islamic Money Market Fund to penetrate in the Islamic category, further strengthening its fund slate as an Islamic AMC. Now the Company manages two funds: the 786 Smart Fund and the 786 Islamic Money Market Fund, both of which are classified under the Shariah-compliant Income category and the Shariah-compliant money market category respectively. Further diversification of AUM across different asset classes would enhance the Management Quality assessment. The Company's average monthly AMUs remain around PKR 1bln, but as of Sep'24, the AUMs stood at PKR 808mln (Sep'23: PKR 719mln). The market share stood at 0.03% as of Sep'24. The Fund's performance has also shown improvement, with returns exceeding both the industry average and its benchmark. 786IL is also focusing on increasing retail penetration through expanding its distribution network to enhance accessibility, operational efficiency, and customer experience. These efforts are designed to strengthen the Company's market position and better serve its clients. Sustaining strong fund performance and maintaining credit quality metrics will be essential for the Company's future rating.

On the financial profile side, the management fee inclined to PKR 4.9mln at the end of Sep'24 (Sep'23: PKR 4.2mln). The profit of the Company increased to PKR ~8.1mln in Sep'24 (Sep'23: PKR ~4.7mln). The profitability has been increased on the back of capital gain on the sale of investment. While the equity of the company stood at PKR ~244mln at the end of Sep'24 (Sep'23: PKR ~246mln) meeting the minimum equity requirement.

The rating is dependent on the materialization of strategy to enhance AUM's and the market position of the Company. Meanwhile, maintaining strong fund performance and diversifying the fund slate is important. Upholding high governance standards and strengthening risk management is crucial for the rating.

Disclosure

Name of Rated Entity	786 Investments Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-24),Assessment Framework Asset Manager Rating(Jun-24)
Related Research	Sector Study Asset Management Companies (AMCs)(Jun-24)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



Asset Management Companies (AMCs)

Profile

Structure 786 Investments Limited ("786IL" or the "Company") is a public listed Company, incorporated in Pakistan. The Company is registered as NBFC under the NBFC Rules, 2003. The Company has the license to carry out Asset Management Services along with the license of Investment Advisory Services under the NBFC Rules, 2003, and NBFC Regulations, 2008.

Background The Company was established in 1990 and began its venture capital financing operations in 1993, with the Asian Development Bank (ADB) as a founding sponsor. In 1999, it was acquired by the First Dawood Group. In 2002, First Dawood Group, in collaboration with ADB, transitioned the company's operations to asset management. Then, in January 2017, the Company's name was changed from Dawood Capital Management Limited to 786 Investments Limited to more accurately reflect its focus on Islamic asset management.

Market Share 786IL is a small Asset Management Company. As at end Sep'24, the market share of the Company stood at 0.03%.

Diversification Of Fund Mix The Company manages two funds: the 786 Smart Fund and the 786 Islamic Money Market Fund, both of which are classified under the Shariah-compliant Income category and the Shariah-compliant money market category respectively.

Investor Concentration The average percentage share of top 10 investors remains at ~88.6% at the period ended Mar'24. Average related party holdings represent ~62% of the total AUM.

Ownership

Ownership Structure The Company's major shareholding vests with the First Dawood Group through First Dawood Investment Bank Limited (15%), Bank of Khyber (15%), B.R.R. Guardian Modaraba (12.93%) and Miss Tara Uzra Dawood (18.50%). The remaining shareholding of 38.57% is held by other individuals and corporate entities.

Business Acumen First Dawood Group is a conglomerate and has a long-standing history in Pakistan. The group is a branch of the family that deals with the financial sector.

Financial Strength Building on the experience and expertise of several decades, First Dawood Group enjoys a strong financial foundation emanating from its well-diversified businesses.

Governance

Board Structure The Company's Board of Directors currently comprises seven board members out of which, four are independent and two are non-executive. A strong governance framework bodes well for oversight and control.

Members' Profile The Board members have strong educational backgrounds and carry extensive experience. The Chairperson, Mr. Ahmed Salman Munir, possesses more than 31 years of professional experience in the banking industry.

Board Effectiveness To ensure an effective control environment and compliance with reporting standards, the Company has constituted an Audit Committee and HR Committee at the board level. Meeting minutes are formally recorded with strong follow-up.

Transparency The audit committee ensures the accuracy of the Company's accounts and the effectiveness of the internal controls system. The internal audit function is in-house and reports to the audit committee on a quarterly basis. The external auditors of the Company are Reanda Haroon Zakaria & Company.

Management

Organizational Structure The organizational structure is lean and aligns with the operations of the Company. The Company operates through various departments. All departments report to the CEO except for the internal audit department, which reports to the audit committee.

Management Team The management team comprises experienced professionals carrying the requisite experience and skill set. Ms. Tara Uzra Dawood, the CEO, holds a Doctorate in Judicial Science from Harvard and specializes in shariah finance, mergers and acquisitions, and corporate law. She founded 786 Investments in 2003 and serves on the boards of PSO and PRL, while also speaking globally on shariah-compliant finance and holding key roles with MUFAP and Danube University Krems. Mr. Noman Shakir, an ACMA and MA in Economics, is the CFO and Company Secretary, with nearly 10 years of experience in financial and accounting services.

Technology Infrastructure The Company has transitioned to the software named MAC, replacing the outdated Sidat Hyder Financials, which was previously used as the core software. MAC now serves as the dedicated software for portfolio management, unit holder accounting, and general ledger systems.

Control Environment Detailed policies are devised for Operations, IT, Investment and Risk Management among others. Regular MIS reports are generated for the senior management, which relates to investment risk management.

Investment Risk Management

Credit Risk The Company uses internal assessment modules and Excel-based credit risk scorecards, with the fund manager ensuring effective management of credit portfolio risk.

Liquidity Profile The risk management department monitors the liquidity profile to avoid any mismatch. Sufficient liquidity is maintained by investing a significant portion of funds assets in liquid investment avenues.

Market Risk The Company has set appropriate metrics to measure exposure to market risk factors. The exposure limits applicable to interest-bearing securities and any breaches of the limits are regularly reviewed and reported to the management.

Portfolio Management

IC Composition The Investment Committee comprises 4 individuals, the CEO, CFO, CIO & Fund Manager.

Effectiveness The IC meets formally weekly and on an ad hoc basis to formulate and monitor strategic investment decisions.

Investment Research And Analysis The research function is managed by Mr. Azam Khan (Head of Research). Investment proposals are generated using both in-house and third-party research. Research can be strengthened further.

Customer Relationship

Investor Services Adequate services are provided to clients. Unit Holder Management Department handles client queries and complaints on time.

Investor Reporting 786IL disseminates unit holder statements and publishes the fund manager reports on its website in a timely manner. The FMRs cover all the mandatory disclosure requirements.

Distribution And Sales Network The Company plans to expand its distribution and sales network to increase its assets under management through a digital footprint and focus on Islamic wallet services.

Performance

Asset Under Management The AUMs of the Company stood at PKR ~808mln at the end Sep'24 (Jun'24: PKR ~879mln). The Fund's performance has shown improvement, with returns exceeding both the industry average and its benchmark.

Asset Manager The management fee of the Company increased by 15% to PKR ~4.9mln at the end of Sep'24 (Sep'23: PKR ~4.2mln). The PAT increased to PKR ~8.1mln in Sep'24 (Sep'23: PKR ~4.7mln). The profitability has been increased on the back of capital gain on the sale of investment. The Company's equity stood at PKR ~244mln at end Sep'24 (Sep'23: PKR ~246mln). The Company's total assets stood at PKR ~271mln at the end Sep'24 (Sep'23: PKR ~267mln).

Fund's Performance | 786 Investment Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)				Return Rolling 12 Months Sep'24		Rolling 12 Months	
				Sep-24	Jun-24	Mar-24	Dec-23	Return	Bench.	Fund vs. Industry	Fund vs. Benchmark
1	786 Smart Fund	Shariah Compliant Income	100.00%	808	879	751	852	21.6%	10.9%	21.6%	10.7%
Sum/Average:			100.0%	808	879	751	852				

Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

Scale	Definition
AM1	Very high quality. Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	High quality. Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	Good quality. Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	Adequate quality. Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	Weak. Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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