



The Pakistan Credit Rating Agency Limited

Rating Report

NIMIR Industrial Chemicals Limited

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Rating History

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action | Rating Watch |
|--------------------|------------------|-------------------|---------|----------|--------------|
| 14-Jul-2023 | A+ | A1 | Stable | Maintain | - |
| 16-Jul-2022 | A+ | A1 | Stable | Maintain | - |
| 17-Jul-2021 | A+ | A1 | Stable | Maintain | - |
| 18-Jul-2020 | A+ | A1 | Stable | Maintain | - |
| 20-Jul-2019 | A+ | A1 | Stable | Upgrade | - |
| 18-Jan-2019 | A | A1 | Stable | Maintain | - |
| 19-Jul-2018 | A | A1 | Stable | Initial | - |

Rating Rationale and Key Rating Drivers

The ratings reflect that Nimir Industrial Chemicals Limited (hereinafter referred to as ‘NIMIR’ or ‘the Company’) demonstrated consistent growth and a strong position in the domestic oleo chemicals and chlor alkali products manufacturing industry. Under the Caustic soda market there exist competition to which it stands buoyant. The Company enjoys a strong customer base (including multinational FMCGs) and generates persistent profitability. NIMIR product portfolio is well-diversified and mainly concentrated in Oleochemicals followed by Chlor-Alkali and Aerosols. During the period under review, the Company has successfully completed all the capacity expansion projects, such as oleo chemical plants expansion, and chlor alkali plants expansion. As a part of the diversification strategy a new plant, related to liquid chlorine paraffin wax (CPW) has also achieved commercial operation recently, which is an import substitution. The Company has followed a vertical integrated down-the-chain strategy and for that purpose, they have 3rd party manufacturing to provide a one-window solution to their customers. The topline of the Company showed ~34.3% growth during 9MFY23, mainly due to inflationary impact, and slightly better volumes. However, margins showed some dilution due to consistent increase in interest rates and associated borrowing costs. As a part of cost efficiency and control measures, a new 20 megawatts powerhouse (Coal + Biomass) is now fully operational and expected to bring sizeable savings. Going forward, the company is focusing on its exports (oleo chemicals & CPW) and to serve this purpose a wholly-owned subsidiary is incorporated in Azerbaijan. The Company’s future profitability growth needs to keep in check on account of rising inflation/interest rates, rupee depreciation, and the application of the super tax. The operations of the Company are benefited by advanced production facilities alongside an experienced management team and a strong control environment. The Company has a considerable amount of trade receivables which according to management representation are due to MNC and inflationary pressures mainly elevating the receivables level. The Company has expanded its capacity to cope with the demand is expected to boost revenues and contribute to the bottom line. The Company’s envisioned strategic interface will bear fruits in years to come. Well-devised pricing strategy indexed with dollar rates hedges against exchange risk, since the Company imports various palm oil products as its major raw materials. The Company’s financial risk profile is characterized by moderate coverages and cashflows and working capital cycle. The capital structure is leveraged, where borrowings are comprising mix of short-term for working capital management and long-term for CAPEX.

The ratings are dependent on sustaining margins and profitability in line with business expansion. Prudent management of working capital and retaining strong coverages are critical. Successful expansion and translation of the same in revenues is important.

Disclosure

| | |
|------------------------------|--|
| Name of Rated Entity | NIMIR Industrial Chemicals Limited |
| Type of Relationship | Solicited |
| Purpose of the Rating | Entity Rating |
| Applicable Criteria | Methodology Corporate Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22) |
| Related Research | Sector Study Chemical(Jul-23) |
| Rating Analysts | Sohail Ahmed Qureshi sohail.ahmed@pacra.com +92-42-35869504 |

Profile

Legal Structure Nimir Industrial Chemicals Limited (NICL) was incorporated in Pakistan in February 1994 as a public limited company and got listed in the Pakistan Stock Exchange (PSX) in 1996.

Background Nimir Industrial Chemicals Limited was initially known as "Ravi Alkalis" – a Private Limited company. The company was acquired by Nimir Group in 1994 after which its name was changed to Nimir Industrial Chemicals Limited.

Operations The Company is involved in the manufacturing and sale of oleo chemicals and chlor alkali products including distilled fatty acid (DFA), soap noodles, stearic acid, glycerin, caustic soda, Aerosol cans and a variety of industrial chemicals, operating with one manufacturing plant located at Faisalabad Road – 14.8 km from Sheikhpura

Ownership

Ownership Structure Major shareholding of the Company used to vest with Nimir Resources Private Limited – the group's holding company founded by five individuals who took over the Company in 2011 as part of management. However, now the ownership vests with the sponsors individually i.e. Zafar Mehmood (~22%), Khalid Qazi (~13%), Umer Iqbal (~7%) and Executives Aamir Jamil & Imran Afzal (~26%).

Stability Executive Directors, have strong knowledge of the industry and extensive experience in relevant fields and have the power to direct relevant activities of the Company. Business roles are equally divided among the Sponsors and the agreements are legally documented.

Business Acumen The business acumen of the Sponsors in relation to the related business is considered strong since most of the Sponsors are pioneers of the Nimir Group and have been associated with it since its inception i.e. 1994. They possess extensive knowledge and exposure to the industry. The skills level of the sponsors is reflected in healthy financial performance indicators which is evident from the steady growth of the business since its takeover by the current stakeholders.

Financial Strength Nimir Group constitutes Nimir Industrial Chemicals Limited, Nimir Resins Limited, Nimir Chemcoats (Pvt) Ltd & Nimir Energy Limited (acquired recently from Santsation Energy (Pvt) Ltd) which are involved in profit-making business activities.

Governance

Board Structure The governance structure is designed to keep the Company compliant with the Code of Corporate Governance (CCG) for listed entities; the Board consisted of nine members, out of which three members are executive, one non-executive, three independent directors and one nominee Director from PBICL.

Members' Profile Members of the board have a good mix of skills and experience. The Chairman, Mr. Saeed-uz-Zaman holds a degree in Electrical Engineering from University of Engineering and Technology Lahore. He has extensive experience in senior management positions both in the public and private sectors.

Board Effectiveness The Board has two sub-committees namely Audit Committee and Human Resource and Remuneration Committee. During the period, several boards, Audit Committee and HR & Remuneration Committee meetings were held. Attendance recorded in all the meetings was satisfactory

Financial Transparency EY Ford Rhodes Chartered Accountants – one of the big four firms, are the External Auditors of the Company. They expressed an unqualified opinion on the Company's financial statements for the periods ending June 2022 and interim review of six months.

Management

Organizational Structure The Company operates through nine departments, each headed by an experienced manager. These departments include (i) Production (ii) Marketing & sales (iii) Accounts and Finance (iv) Human Resource and Admin (v) Supply Chain (vi) Information Technology (vii) Research & Development (viii) Quality Control & (ix) Quality Assurance.

Management Team The CEO, Mr. Zafar Mehmood, is a fellow of the Institute of Cost & Management Accountants of Pakistan since 1991. He has over ~31 years of experience and has been associated with Nimir group for over ~22 years. Mr. Khalid Qazi, the Director Finance, is an MBA and has been associated with the group for ~27 years.

Effectiveness Senior management meetings are conducted regularly for discussion and decision-making purposes. In addition, weekly management meetings are also held in which performance and targets of all the concerned departments are discussed in detail.

MIS SAP Business One installed as MIS for provision of reliable financial system and reporting is assessed. Highly automated manufacturing and operational procedures transpire into operational efficiencies. This management application was installed in July-2012 by External Vendor – Abacus Consulting and is annually updated based on Annual Maintenance Contract with them.

Control Environment The control environment is strengthened by the role of the Internal Audit department provides periodic detailed reports to the Audit Committee for review and assessment and to take necessary remedial actions, where needed. Separate Internal Audit reports for each financial process, including inventory management, payroll, procurement, accounts receivables and accounts payable along with the risk rating matrix for each process are prepared and shared with the Audit Committee.

Business Risk

Industry Dynamics Various dimensions to the industry are conceived because of the diversity in the product range that Nimir Industrial offers and the number of markets it caters. The products are broadly categorized into (i) oleo chemicals and (ii) chlor-alkali products. In oleo chemicals, Nimir primarily produces stearic acid and distilled fatty acids (DFAs), which are further refined to be used in soap noodles and eventually formed into toilet soaps. Stearic acid is supplied to a variety of industries for use as raw material such as pharmaceuticals, textile, polishing, tiles, etc. Glycerin is also produced as a by-product of the process. With regards to this side of the business, Nimir Industrial is uniquely placed to monopolize the supply of quality fatty acids and toilet soaps to all leading multinational FMCG companies operating in Pakistan. This position is achieved on the backdrop of advanced soap manufacturing technology installed by the Company. Other local producers of toilet soaps are not directly in competition because their target market is anchored differently from Nimir which serves to the top niche segment of the society.

Relative Position NICL has captured the majority market share in the chemical industry. The company is considered a pioneer in new technologies in Pakistan and introduced oleo-chemicals, soap noodles, international-scale soap finishing and aerosols.

Revenues The company is engaged in a wide range of well-diversified range of products and services. During 9MFY23, revenues increased by ~34.3%, standing at PKR 34,024mln (9MFY22: PKR 22,757mln) on the back of improved prices and slightly volumetric growth.

Margins The Company's gross margin decreased to 12.7% in FY22 (FY21:15.4%). The operating profit margin decreased to 10.9% in FY22 (FY21:13.2%). Net profit margin witnessed a decline in FY22 and stood at 4.7% (FY21: 7.3%). As of the end of March-23, the Company's gross profit margin and net profit margin stood at 12.2% and 3.2% respectively.

Sustainability The company has completed all major projects initiated in the last few years. The latest addition was liquid chlorine and chlorinated paraffin wax plants, which started their commercial operation in April 2023. All new projects are now in commercial operation and will contribute to improving the financial performance of the Company.

Financial Risk

Working Capital In 9MFY23, the inventory days of Nimir Industrial Chemical stood at 54 days (FY22:74 days; FY21:75 days). Meanwhile, in 9MFY23, trade receivable days decreased to 47 days (FY22: 51 days; FY21: 42 days). Gross working capital days reached 101 days (FY22: 125; FY21: 118 days). The trade payable days during 9MFY23 remained consistent at ~11 days (FY22: 10 days; FY21: 12 days). Resultantly net working capital days clocked in at 90 days (FY22:115 days; FY21: 106 days).

Coverages The company's FCFO reached PKR 3,145mln during 9MFY23 (FY22: PKR 2,871mln, FY21: PKR 2,944mln). The interest coverage ratio clocked at 1.0x in 9MFY23 (FY22: 3.7x, FY21: 8.2x). Furthermore, the debt coverage ratio reached 1.1x (FY22: 1.9x, FY21:3.3x).

Capitalization Nimir Industries Chemical has leveraged a capital structure of ~69.8% as of 9MFY23. The Company has total borrowings of PKR 16,378mln (FY22: PKR 20,301mln; FY21: PKR 8,205mln), which includes (STB) of PKR 9,901mln.



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

| Nimir Industrial Chemical CHEMICAL | Mar-23 9M | Jun-22 12M | Jun-21 12M | Jun-20 12M |
|--|--------------|---------------|---------------|---------------|
| A BALANCE SHEET | | | | |
| 1 Non-Current Assets | 13,769 | 12,376 | 5,584 | 3,862 |
| 2 Investments | - | - | - | - |
| 3 Related Party Exposure | 217 | 217 | 217 | 217 |
| 4 Current Assets | 14,360 | 17,535 | 10,468 | 6,769 |
| a Inventories | 5,636 | 7,823 | 5,951 | 3,601 |
| b Trade Receivables | 5,441 | 6,220 | 3,227 | 2,127 |
| 5 Total Assets | 28,346 | 30,128 | 16,269 | 10,849 |
| 6 Current Liabilities | 2,953 | 3,312 | 2,811 | 2,161 |
| a Trade Payables | 1,542 | 1,291 | 611 | 854 |
| 7 Borrowings | 16,378 | 20,031 | 8,205 | 4,688 |
| 8 Related Party Exposure | - | 15 | 15 | - |
| 9 Non-Current Liabilities | 1,913 | 592 | 315 | 376 |
| 10 Net Assets | 7,102 | 6,179 | 4,924 | 3,623 |
| 11 Shareholders' Equity | 7,102 | 6,179 | 4,924 | 3,623 |
| B INCOME STATEMENT | | | | |
| 1 Sales | 34,024 | 33,786 | 23,094 | 17,173 |
| a Cost of Good Sold | (29,866) | (29,495) | (19,543) | (14,626) |
| 2 Gross Profit | 4,159 | 4,290 | 3,551 | 2,546 |
| a Operating Expenses | (598) | (605) | (498) | (369) |
| 3 Operating Profit | 3,561 | 3,685 | 3,053 | 2,177 |
| a Non Operating Income or (Expense) | (10) | (93) | (192) | (227) |
| 4 Profit or (Loss) before Interest and Tax | 3,551 | 3,593 | 2,861 | 1,951 |
| a Total Finance Cost | (2,011) | (1,127) | (464) | (602) |
| b Taxation | (450) | (870) | (702) | (423) |
| 6 Net Income Or (Loss) | 1,090 | 1,596 | 1,694 | 926 |
| C CASH FLOW STATEMENT | | | | |
| a Free Cash Flows from Operations (FCFO) | 3,145 | 2,871 | 2,944 | 2,120 |
| b Net Cash from Operating Activities before Working Capital | 1,296 | 2,055 | 2,544 | 1,540 |
| c Changes in Working Capital | 2,863 | (6,029) | (3,438) | (1,068) |
| 1 Net Cash provided by Operating Activities | 4,159 | (3,974) | (894) | 472 |
| 2 Net Cash (Used in) or Available From Investing Activities | (1,846) | (7,279) | (2,259) | (896) |
| 3 Net Cash (Used in) or Available From Financing Activities | (2,466) | 11,454 | 3,110 | 495 |
| 4 Net Cash generated or (Used) during the period | (153) | 202 | (43) | 71 |
| D RATIO ANALYSIS | | | | |
| 1 Performance | | | | |
| a Sales Growth (for the period) | 34.3% | 46.3% | 34.5% | 15.6% |
| b Gross Profit Margin | 12.2% | 12.7% | 15.4% | 14.8% |
| c Net Profit Margin | 3.2% | 4.7% | 7.3% | 5.4% |
| d Cash Conversion Efficiency (FCFO adjusted for Working C | 17.7% | -9.3% | -2.1% | 6.1% |
| e Return on Equity [Net Profit Margin * Asset Turnover * (T | 21.9% | 28.7% | 39.6% | 27.8% |
| 2 Working Capital Management | | | | |
| a Gross Working Capital (Average Days) | 101 | 125 | 118 | 106 |
| b Net Working Capital (Average Days) | 90 | 115 | 106 | 93 |
| c Current Ratio (Current Assets / Current Liabilities) | 4.9 | 5.3 | 3.7 | 3.1 |
| 3 Coverages | | | | |
| a EBITDA / Finance Cost | 1.0 | 3.7 | 8.2 | 4.2 |
| b FCFO / Finance Cost+CMLTB+Excess STB | 1.1 | 1.9 | 3.3 | 2.4 |
| c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fi | 4.2 | 3.9 | 0.9 | 0.9 |
| 4 Capital Structure | | | | |
| a Total Borrowings / (Total Borrowings+Shareholders' Equit | 69.8% | 76.4% | 62.5% | 56.4% |
| b Interest or Markup Payable (Days) | 69.3 | 118.4 | 81.2 | 47.7 |
| c Entity Average Borrowing Rate | 14.0% | 7.9% | 7.8% | 13.4% |

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

| Scale | Long-term Rating Definition |
|-------|---|
| AAA | Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments |
| AA+ | |
| AA | Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. |
| AA- | |
| A+ | |
| A | High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions. |
| A- | |
| BBB+ | |
| BBB | Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. |
| BBB- | |
| BB+ | |
| BB | Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met. |
| BB- | |
| B+ | |
| B | High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment. |
| B- | |
| CCC | |
| CC | Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default. |
| C | |
| D | Obligations are currently in default. |

| Scale | Short-term Rating Definition |
|-------|---|
| A1+ | The highest capacity for timely repayment. |
| A1 | A strong capacity for timely repayment. |
| A2 | A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions. |
| A3 | An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions. |
| A4 | The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient. |



*The correlation shown is indicative and, in certain cases, may not hold.

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'.

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 respective opinion.

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.

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 surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

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.

Note. This scale is applicable to the following methodology(s):
 a) Broker Entity Rating
 b) Corporate Rating
 c) Debt Instrument Rating
 d) Financial Institution Rating
 e) Holding Company Rating
 f) Independent Power Producer Rating
 g) Microfinance Institution Rating
 h) Non-Banking Finance Companies Rating

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Rating Team Statements

(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

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(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).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(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)

Monitoring and review

(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 | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(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 | 18-(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 | 18-(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-(F-VII)

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