



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Corp Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
18-May-2023	A	A1	Stable	Maintain	-
18-May-2022	A	A1	Stable	Maintain	-
18-May-2021	A	A1	Stable	Maintain	-
18-May-2020	A	A1	Stable	Maintain	-
20-Dec-2019	A	A1	Stable	Maintain	-
25-Jun-2019	A	A1	Stable	Maintain	-
24-Dec-2018	A	A1	Stable	Maintain	-
05-Apr-2018	A	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The rating reflects TPL Corp Limited's ("TPL Corp" or "the Company") diverse pool of investments and its evolving structure as a Holding Company. TPL Group entered in the business arena through vehicle tracking and insurance business. The existing investment portfolio is harmonious with the defined strategic plan. TPL Trakker Ltd. (TPLT) offers tailored solution. TPL Insurance Ltd. (TPLI) ensured operational efficiency over years. The Company's recent investment in TPL REIT Management Company (TPL RMC), through TPL Properties Ltd. (TPLP), is expected to bring synergy at Group level from its three projects - Technology Park, One Hoshang, and Mangrove. TPL Life Insurance Ltd. (TPL Life) provides complete health and life insurance products. TPL Security Services (TPL Security) provides security solutions, while TPL E-Ventures explores business opportunities and invest in start-ups as well as in Fintech.

The Company has divested its stake in TPLI as DEG (Deutsche Investitions und Entwicklungsgesellschaft), a wholly owned subsidiary of KfW Group based in Germany, and Finnish Fund for Industrial Cooperation Ltd. has acquired 15.87% and 17.02% stake, respectively, through issuance of ordinary shares other than a right issue. These foreign collaboration are expected to enable TPLI to invest in tech-driven products; thereby, increasing insurance penetration in Pakistan. Multiple revenue generating avenues are near completion in TPLT, where major portion of capital expenditure has already been incurred. TPLT achieved listed status in Aug-20. TPLP has re-strategized its business model by setting up a REIT Management Company (RMC), as subsidiary, and making substantial investment in TPL REIT Fund I (proposed size - PKR 80bln, first close - PKR 18.35bln, raised till now - PKR 14.98bln). The fund is expected to flow in substantial capital gains, as dividends and developer margins. To meet financing requirements for its subsidiaries/associated companies and to settle inter-company balances the company raised debt through various financing arrangements i.e. during June 2022, the Company issued two long-term instruments PP Sukuk (for PKR. 2.2bln) & PPTFC (for PKR. 2.3bln), each for 5 years.

On a standalone basis, TPL Corp has yet to receive consistent dividends/payout from its investments. The coverages may remain constrained in the absence of material dividend income. However, the ratings take comfort from demonstrated support of sponsors to provide support and raise funds. Strong governance framework remains beneficial for the ratings.

The ratings depend on the projected performance of existing strategic investments. Any significant delay in materialization of envisaged business strategies to generate funds for the Company leading to low return on investments and/or compromised position of the Company to meet its financial obligations will impact the ratings. Maintenance of adequate resources for repayment would be crucial.

Disclosure

Name of Rated Entity	TPL Corp Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22),Methodology Holding Company Rating(Jun-22)
Related Research	Sector Study Holding Company(Aug-22)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Background TPL Trakker Limited was incorporated in Pakistan on 04-Dec-08, as a private limited company under the repealed Companies Ordinance 1984 (now Companies Act, 2017). The Company was converted into Public company in 2009 and got listed on the Pakistan Stock Exchange Limited on 16-Jul-12. The name of the Company was changed to TPL Corp Limited ('TPL Corp' or 'the Company') w.e.f. 24-Nov-17

Structural Analysis TPL Corp is the only investment arm of TPL Group; however, is held through TPL Holdings (Pvt.) Ltd. ('TPL Holdings'), the parent holding Company of the Group. The principal activity of the Company is to make investments in the Group and other companies. The Company holds investments in 7 subsidiaries (out of which 3 are listed, 3 are unlisted, and 1 is an associate) operating across insurance, tracking, real estate, security, navigation, mapping solutions, fintech, and financial sectors. As of 2QFY23, the Company's investment book stands at PKR 10.7bln and constitutes ~ 96% of the Company's total assets.

Ownership

Ownership Structure TPL Holdings holds a major stake of ~ 62% in TPL Corp. Meanwhile, ~0.5% of shares of the Company are held by mutual funds. The Company has a free float of ~31% through local and foreign individuals.

Stability Ownership is seen as stable as sponsor's respective holding in the Company is through its corporate entity, TPL Holdings.

Business Acumen The ultimate sponsors of the Group possess strong knowledge of technology, investments, insurance, and the financial sector.

Financial Strength TPL Holdings' main investments are consolidated in TPL Corp. As of 2QFY23, TPL Corp had a strong consolidated asset base of over ~PKR 30bln, supported by an equity base of ~PKR 14bln and a debt of ~PKR 7bln. The Company posted a consolidated topline of ~PKR 7bln with a bottomline of ~PKR 3bln during 2QFY23.

Governance

Board Structure The Company's Board comprises eight Directors of which two are Independent Directors, Mr. Mark Dean and Mr. Nadeem Arshad having an experience of 9 and 23 years respectively, and associated with the board since Jan-01 and Jan-14. Four Non-Executive Directors including Mr. Jameel Yusuf, Mr. Syed Zafar-ul-Hasan Naqvi, Mr. Bilal Alibhai, and Mr. Muhammad Shafi. Having experience over 2 decades and association in Board since Jan-99. Two Executive Directors include Ms. Sabiha Sultan (one female Director on Board, since Jan-19 with experience of 2 decades) and Mr. Ali Jameel.

Members' Profile Mr. Jameel Yusuf is the Chairman of the Board and holds a diverse experience of over two decades. The Board include finance, marketing, business experts and respected retired armed forces personnel. Their diverse backgrounds and varied expertise provide holistic guidance to the Company.

Board Effectiveness The Board governs the affairs of the Company through Audit Committee (BAC), which meets on quarterly basis, and HR and Remuneration Committee, which meets twice a year. Both Committees have four members and are chaired by Mr. Nadeem Arshad Elahi - an Independent Director.

Transparency The Company was previously audited by EY Ford Rhodes & Co. Lately during FY22, the Company appointed BDO Ebrahim & Co as their external auditors. The firm is QCR rated and on SBP's panel of auditors in category of 'A'.

Management

Organizational Structure TPL Corp institutes a well-designed organizational structure divided across various functional divisions, headed by the CEO. The subsidiaries have its own CEO reporting directly to TPL Corp's CEO, Mr. Ali Jameel. The subsidiaries have established independent operational roles and reporting lines to oversee performance. However, Legal and IT functions are centralized at the Group level. While, HR and Finance functions, placed at the Group level, provide holistic guidance and a wide range of operating platforms to the corresponding division at the subsidiaries.

Management Team Mr. Ali Jameel, the CEO is an FCA and holds about two decades of experience. Mr. Amjad Waqar, having 19 years of experience joined the Company as CFO in Mar-22. Lately, Mr. Hashim Sadiq Ali joined the Company as the Chief Internal Auditor. The entire management team are experienced individuals.

Management Effectiveness Management team's long association with the Company, barring few new positions, with the Group, bodes well for overall growth. TPL Corp practices fortnightly performance review meetings attended by respective department heads.

Control Environment The internal audit function is placed at Group level and reports to the Chairman of BAC. The function monitors the efficacy of internal control systems, its compliance with operating systems, accounting procedures, and policies of the Company and its subsidiaries. Significant audit observations and corrective actions are presented to BAC.

Investment Strategy

Investment Decision-Making The Company's investment decisions are taken by the Board.

Investment Policy TPL Corp's investment strategy primarily focuses on capital appreciation. However, as the existing portfolio is still evolving, the Company is yet to receive any dividend income from its investments.

Investment Committee Effectiveness The Board is presented with investment highlights on the performance of investee companies on a quarterly basis. Moreover, new initiatives and plans identified by the management are also discussed. However, there is no formal investment committee set up at TPL Corp.

Business Risk

Diversification The Company's investment portfolio is inclined towards the real estate sector, as ~37% of total investments comprise of investment in real estate (TPL Properties). ~44% of the total investments consist of investment in insurance sector (TPL Insurance and TPL Life Insurance), while the remaining investment book consists of investments in technology (~18%) and security sectors (~1%)

Portfolio Assessment The Company has a well-balanced portfolio. The Company's core investments are in listed subsidiaries and strategic investments are in unlisted related parties (subsidiaries and associate). The Company does not hold a trading portfolio. Thus, the marketability/liquidity element of the portfolio constitutes of listed companies only with the market value of ~PKR 6,761mln as of 2QFY23, providing a cushion to generate liquidity.

Income Assessment The Company's standalone income comprises dividends from its subsidiaries. During 2QFY23, the Company did not receive any dividend income from its subsidiaries. However, a consistent dividend stream is yet to be established. On a consolidated basis, revenue stood at ~PKR 7.3bln during 2QFY23 depicting an increase of ~199%. The increase is attributable to the topline growth in TPL properties, TPL Insurance, and TPL Trakker.

Financial Risk

Coverages TPL Corp experienced further deterioration of coverages (0.1x) at 2QFY23 (2QFY22: (6.5x)), due to high finance cost (2QFY23: ~PKR 449mln and 2QFY22: ~PKR 174mln) and negative FCFO from operations ~PKR (26)mln (2QFY22: ~PKR (174)mln). The Company's coverages may come under pressure with the debt instruments if matching cashflows are not realized.

Capital Structure TPL Corp has a moderately leveraged capital structure with the leveraging ratio standing at ~50% as at 2QFY23 (2QFY22: ~40%). The Company has issued two long-term instruments (PP Sukuk and PPTFC) of PKR 2.2bln and PKR 2.3bln from its balance sheet. Both instruments issued for a tenor of 5 years to reprofile the existing debt and invest in other Group companies. The leveraging ratio shows an incline from issuance of the instruments. The Company intends to repay the instruments through dividend income and proceeds from strategic divesture of its investments. Total debt of the Company stood at ~PKR 4.8bln (2QFY22: ~PKR 4bln) due to issuance of instrument with the equity base of PKR 4.9bln (2QFY22: PKR 6bln).

Consolidated Position On a consolidated basis, revenue stood at ~PKR 7.3bln during 2QFY23 (2QFY22: ~PKR 2.4bln reflecting a growth of ~199% compared to 2QFY22. The increase is attributable to the topline growth of TPL Properties by ~ two fold, TPL insurance by ~41% and TPL Trakker by ~23%. The Company derives financial strength from its Sponsors



The Pakistan Credit Rating Agency Limited

PKR mln

TPL Corp Limited Holding Company	Dec-22	Sep-22	Jun-22	Dec-21	Dec-20	Jun-20
	6M	3M	12M	6M	6M	12M
	Management	Management	Audited	Management	Management	Audited
A BALANCE SHEET						
1 Investments	153	138	138	37	3	3
2 Related Party Investments	10,577	10,957	11,332	10,764	5,668	4,815
3 Non-Current Assets	253	270	287	297	3	2
4 Current Assets	152	171	315	98	62	41
5 Total Assets	11,135	11,536	12,073	11,195	5,736	4,860
6 Current Liabilities	339	530	410	339	303	53
7 Borrowings	4,950	4,915	5,095	4,228	1,049	183
8 Related Party Exposure	883	494	250	286	1,094	1,794
9 Non-Current Liabilities	-	-	-	-	-	-
10 Net Assets	4,962	5,598	6,319	6,342	3,290	2,831
11 Shareholders' Equity	4,962	5,598	6,319	6,342	3,290	2,831
B INCOME STATEMENT						
1 Total Investment Income	19	14	29	-	5	14
a Cost of Investments	(458)	(218)	(463)	(162)	(90)	(325)
2 Net Investment Income	(440)	(204)	(434)	(162)	(85)	(312)
a Other Income	-	-	-	5	-	-
b Operating Expenses	(95)	(50)	(166)	(108)	(61)	(108)
4 Profit or (Loss) before Interest and Tax	(535)	(254)	(601)	(264)	(145)	(420)
a Taxation	8	-	(8)	-	-	-
6 Net Income Or (Loss)	(527)	(254)	(608)	(264)	(145)	(420)
C CASH FLOW STATEMENT						
a Total Cash Flow	(26)	(12)	(134)	(1,022)	(54)	(69)
b Net Cash from Operating Activities before Working Capital Changes	(512)	(210)	(496)	(1,022)	(60)	(193)
c Changes in Working Capital	432	240	(1,138)	(197)	(789)	797
1 Net Cash Provided by Operating Activities	(80)	29	(1,634)	(1,220)	(849)	604
2 Net Cash (Used in) or Available From Investing Activities	(13)	(58)	(941)	(804)	(2)	143
3 Net Cash (Used in) or Available From Financing Activities	(157)	(186)	2,864	2,057	864	(749)
4 Net Cash generated or (Used) during the period	(249)	(215)	289	33	13	(2)
D RATIO ANALYSIS						
1 Performance						
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	45.6%	45.6%	43.2%	40.8%	45.8%	40.0%
2 Coverages						
a TCF / Finance Cost	-0.1	-0.1	-0.3	-6.5	-0.6	-0.2
b TCF / Finance Cost + CMLTB	-0.1	-0.1	-0.3	-4.0	-0.5	-0.2
c Loan to Value (Funding / Market Value of Equity Investments)	0.4	0.4	0.4	0.3	0.2	0.0
3 Capital Structure (Total Debt/Total Debt+Equity)						
a Leveraging [Funding / (Funding + Shareholders' Equity)]	49.9%	46.8%	44.6%	40.0%	24.2%	6.1%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	99.8%	87.8%	80.6%	66.7%	31.9%	6.5%

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+	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	
BBB-	
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	
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	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.
CC	
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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(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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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)
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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)
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- (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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