



The Pakistan Credit Rating Agency Limited

## Rating Report

### Welcon Chemicals (Pvt.) Limited

#### Report Contents

1. Rating Analysis
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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
21-Mar-2024	BBB-	A2	Stable	Maintain	-
21-Mar-2023	BBB-	A2	Stable	Maintain	-
31-Mar-2022	BBB-	A3	Stable	Maintain	-
26-Aug-2021	BBB-	A3	Stable	Maintain	-
26-Aug-2020	BBB-	A3	Stable	Upgrade	-
27-Aug-2019	BB+	A3	Stable	Maintain	-
25-Feb-2019	BB+	A3	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Welcon Chemicals (Pvt) Limited (“Welcon” or “the Company”) operates as a dynamic player in the pesticide industry specializing in a comprehensive range of Agrochemical products. The Company's prudent decision-making framework, coupled with its robust revenue performance, is evident in its ratings. Further, operational synergies have resulted in higher margins and enhanced profitability. Welcon strategically diversifies its revenue streams across Pesticides, Plant Growth Regulators, Bio Fertilizers, and Seeds to efficiently tap the market, with Pesticides leading as the major revenue generator. Sustaining a healthy top line, the Company introduced new products to the market. While the raw materials for pesticides are essentially procured predominantly from China and Europe while raw material for fertilizers is procured locally. The Company boasts a robust dealer network, with over 1000 dealers strategically located throughout the country. Moreover, instead of relying heavily on imported products, the Company expanded its product portfolio by incorporating locally produced biofertilizers that are a cost-effective and efficient substitute for urea and DAP-based fertilizers. During FY23, the pesticide sector in Pakistan faced substantial challenges, marked by catastrophic events i.e., heavy rainfall and floods. Resultantly, the agri-chain incurred considerable losses, particularly affecting the major crops. To effectively mitigate risks the Company employs a streamlined procurement approach and reinforces its business presence in the Punjab region. Sustaining a healthy top line, the Company introduced new products to the market. Margins and in turn profits remain intact. However, fluctuations in raw material prices owing to PKR depreciation and the fragmented & competitive nature of the pesticide industry embed challenges. In terms of financial risk profile, the Company relies significantly on short-term borrowings to manage its working capital requirements, resulting in elevated finance costs that impacted Welcon's coverages. However, the current coverages serve as a protective measure, assisting when required. Further, the ratings continue to derive strength from the long-standing experience of the sponsors established a track record for operations and a strong competitive position.

The ratings assigned to Welcon take into account a moderate business risk profile; the sponsor strength emanates from Allahdin Group’s vast and prolonged business interests in fertilizers, pesticides and other commodities. Going forward, ratings remain sensitive to the achievement of projected revenues, maintenance of debt servicing ability, and enhancement in coverages.

#### Disclosure

<b>Name of Rated Entity</b>	Welcon Chemicals (Pvt.) Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Rating(Jul-23),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Rating Modifiers(Apr-23)
<b>Related Research</b>	Sector Study   Pesticides(Feb-24)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Welcon Chemical (Pvt) Ltd ('Welcon' or 'the Company') is a private limited Company incorporated in 1994.

**Background** Allahdin Group of Companies ('the Group') is among the leading players in the pesticides sector. Warble, was the second Company setup by the Group. While the sponsoring family primarily focused on the construction business, one of the siblings possessed extensive experience in the agriculture industry, bringing valuable expertise.

**Operations** The Company's activities involve imports, formulations, manufacturing & marketing of all kinds of pesticides (Insecticides, Herbicides, Fungicides, Insect Growth Regulators), fertilizers and micronutrients (liquid & granules), plant growth regulators, seeds of different field crops & vegetables, and etc. Welcon's head office is located in Lahore. The formulation facility is at Jhanian Multan, equipped with Chinese machinery and technology

## Ownership

**Ownership Structure** The Company's ownership transitioned to the new generation Mr. Zain Iftikhar possesses a majority shareholding of ~68%, followed by Ch. Zia ur Rehman with 15%, Ch. Iftikhar Niaz with 13%, Mr. Masood ur Rehman with 2%, and Ms. Ghazala Ghazni 2% stake.

**Stability** Although there is no formal succession plan, the ownership of the Company rests among the family members.

**Business Acumen** The Company has a strong history of succeeding in agriculture. They have created synergies throughout Pakistan by using cutting-edge technology and providing one-of-a-kind services. AllahDin Group is equipped with people with vision, wisdom and unique skills.

**Financial Strength** The AllahDin Group's history dates back to the 1990s, and the group's entire asset base were reported over PKR 8 bln in FY23. The Allahdin group vested business interests in Agriculture, Bottling, and the Pharmaceutical industry

## Governance

**Board Structure** The control of the Company is vested with two-member Board, comprising Zain Iftikhar Chaudhary as the CEO and Ch Zia Ur Rehman as the Director. Both members are actively involved in the operations of the Company. However, the final decision is approved by the Chairman of the Group Chaudhry Iftikhar Niaz.

**Members' Profile** All members have been with the organization since long. Mr. Zain possesses significant knowledge, expertise and skillset. He is the Chairman & Chief Executive Officer of Welcon Chimacals.

**Board Effectiveness** The Board meet frequently and minutes are documented as per the requirement.

**Financial Transparency** The External Auditors of the Company M/S. HLB Ijaz Tabussum & Co., Chartered Accountants, a QCR-rated firm expressed an unqualified opinion on financial statements for the period ended FY23.

## Management

**Organizational Structure** Business operations are divided into four key functions namely; (i) Sales & Marketing, (ii) Finance, (iii) HR & IT and (iv) Taxation & Accounts. The reporting lines converge to the CEO who is the man at the last mile, i.e. the key decision maker.

**Management Team** Mr. Zain Iftikhar Chaudhry is the key shareholder and Chief Executive Officer (CEO) of Welcon Chemicals, possesses the required knowledge, expertise and skillset. He has been with the business for a long time and is assisted by a team of professionals.

**Effectiveness** Management meetings are conducted as and when required with senior management contributing their insights to the decision-making process. Ch. Iftikhar Nazir serves as the ultimate authority in all decision-making matters. The Company does not have any formalized management committees in place.

**MIS** The Company has built an in-house ERP system. It has all the required modules like inventory, sales & marketing, finance, procurement, HR and others. It generates reports on a daily, weekly and monthly basis.

**Control Environment** Welcon does not possess any formal committees at the managerial level. The frequent meetings at the management level demonstrate that Welcon's monitoring and evaluating systems are appropriate. The monthly and quarterly MIS reports of the Business include detailed segment and product performance data that are evaluated monthly by senior management.

## Business Risk

**Industry Dynamics** The agricultural sector plays a pivotal role in Pakistan's economy, contributing ~22% to the GDP and serving as a crucial source of raw materials for various industries. To enhance crop protection and cultivation practices, the industry heavily relies on pesticides (Agro Chemicals). The pesticide sector is significantly dependent on imports as ~90%-95% of raw material is imported from China. In FY23, the pesticide industry's estimated value stood at ~PKR 104bln, marking a significant YoY increase of ~5.4%. This growth is attributed to the overall expansion of the crops sector and the subsequent rise in demand. Additionally, increased prices have further contributed to this upward trend. During FY23, total imports of raw materials were up ~19.1% YoY in PKR terms while in volumetric terms, imports were recorded at ~18.3mln MT, recording ~1.5% decrease YoY.

**Relative Position** Allah Din Group overall holds a strong market position and brand image in the industry. The overall group has a total asset size of PKR 8bln

**Revenues** Welcon has maintained a healthy business risk profile backed by its established industry presence, the introduction of new products in the domestic market, and its robust sales network across the country. The Business has diversified revenue streams with an estimated 70% coming from pesticides, seed ~30% and fertilizer ~11%. During FY23, the revenue of the Company clocked to ~PKR 2,180mln (FY22: 2,034mln) witnessing a slight increase of ~7%. Improvement in revenue was majorly attributed to price changes in products. The large product base in different segments enables the diversification of revenue streams through regular product launches.

**Margins** In FY23, the Company's gross profits stood at ~PKR 401mln, marking a 9% increase from FY22's ~PKR 366mln. The gross profit margin rose to 18.4% in FY23 from 18.0% in FY22, attributed to higher product prices. Operating profits surged to ~PKR 144mln in FY23 compared to ~PKR 133mln in FY22, with the operating profit margin slightly increasing to ~6.6% from ~6.5%, indicating efficient administrative and selling expense management by Welcon. Despite high finance costs of ~PKR 79mln in FY23 versus ~PKR 57mln in FY22 due to increased policy rates, other income from fixed asset sales supported the bottom line, which stood at ~PKR 117mln in FY23, a significant improvement from ~PKR 40mln in FY22. The Company's net profit margin improved to ~5.4% in FY23 from ~2.0% in FY22. Moving forward, the expectation of unchanged policy rates may result in higher finance costs, that may negatively impact the Company's net performance.

**Sustainability** Going forward, the management will keep its focus on sustaining its cost leadership and performance uptrend. The company is securing its business by registering its farmers and providing them pesticides and in return purchasing their crops. The idea was implemented in the segments of cotton and wheat.

## Financial Risk

**Working Capital** In FY23, the Company witnessed an improvement in its net working capital cycle, stood at ~165 days (FY22: ~207 ). This improvement was primarily driven by inventory management, leading to a reduced inventory period of 124 days (FY22: 181 days) due to market disruptions caused by floods. Consequently, trade receivables increased to 44 days in FY23 (FY22: 28 days), reflecting the lingering impact of the flood. Meanwhile, trade payable days remained constant at 3 days in FY23 (FY22: 2 days). Moving forward, improvement in a working capital cycle is anticipated due to the stability of the operating environment.

**Coverages** Welcon maintains a satisfactory liquidity profile, FCFO of the Company stood at ~PKR 152mln (FY22: ~PKR 149mln). The liquid coverage ratio (FCFO / Finance Cost) of the Company decreased to 1.9x as of FY23 (FY22: 2.6x) due to higher finance costs reported at ~PKR 79mln as of FY23 (FY22: ~PKR 59mln). The Company consistently exhibits the capability to sufficiently cover its interest expenses. Looking forward, the Company anticipates that improved market dynamics will positively impact its Free Cash Flow from Operations (FCFO). However, the expectation of unchanged policy rates may result in higher finance costs.

**Capitalization** Welcon maintains a moderately leveraged capital structure with a ratio of ~29% in FY23 (FY22: ~51%). Warble's exposure is mainly in short-term borrowings so as to fund the working capital requirement. Whereas, the equity grows and stands at PKR~1,475mln (FY22: PKR 501mln), preliminary supported by a revaluation of fixed assets.



Welcon Chemicals (Pvt.) Ltd Pesticides	Jun-23 12M	Jun-22 12M	Jun-21 12M	Jun-20 12M
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#### A BALANCE SHEET

1 Non-Current Assets	1,164	434	368	309
2 Investments	-	-	-	-
3 Related Party Exposure	79	28	37	50
4 Current Assets	1,194	1,163	1,495	1,689
<i>a Inventories</i>	651	831	1,189	1,330
<i>b Trade Receivables</i>	360	163	150	143
<b>5 Total Assets</b>	<b>2,438</b>	<b>1,625</b>	<b>1,901</b>	<b>2,049</b>
6 Current Liabilities	231	565	919	1,183
<i>a Trade Payables</i>	30	10	13	6
7 Borrowings	607	515	502	481
8 Related Party Exposure	119	38	51	25
9 Non-Current Liabilities	6	5	5	5
<b>10 Net Assets</b>	<b>1,475</b>	<b>501</b>	<b>423</b>	<b>355</b>
<b>11 Shareholders' Equity</b>	<b>1,475</b>	<b>501</b>	<b>423</b>	<b>354</b>

#### B INCOME STATEMENT

1 Sales	2,180	2,034	1,777	1,616
<i>a Cost of Good Sold</i>	(1,778)	(1,669)	(1,478)	(1,353)
<b>2 Gross Profit</b>	<b>401</b>	<b>366</b>	<b>300</b>	<b>263</b>
<i>a Operating Expenses</i>	(258)	(233)	(183)	(163)
<b>3 Operating Profit</b>	<b>144</b>	<b>133</b>	<b>117</b>	<b>100</b>
<i>a Non Operating Income or (Expense)</i>	82	(3)	(2)	(2)
<b>4 Profit or (Loss) before Interest and Tax</b>	<b>226</b>	<b>129</b>	<b>115</b>	<b>97</b>
<i>a Total Finance Cost</i>	(79)	(59)	(49)	(43)
<i>b Taxation</i>	(30)	(30)	2	(24)
<b>6 Net Income Or (Loss)</b>	<b>117</b>	<b>40</b>	<b>69</b>	<b>30</b>

#### C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	152	149	123	108
<i>b Net Cash from Operating Activities before Working Capital</i>	87	90	74	65
<i>c Changes in Working Capital</i>	(140)	(41)	(55)	(386)
<b>1 Net Cash provided by Operating Activities</b>	<b>(53)</b>	<b>49</b>	<b>19</b>	<b>(321)</b>
<b>2 Net Cash (Used in) or Available From Investing Activities</b>	<b>145</b>	<b>14</b>	<b>15</b>	<b>7</b>
<b>3 Net Cash (Used in) or Available From Financing Activities</b>	<b>(14)</b>	<b>(49)</b>	<b>(47)</b>	<b>310</b>
<b>4 Net Cash generated or (Used) during the period</b>	<b>77</b>	<b>14</b>	<b>(13)</b>	<b>(5)</b>

#### D RATIO ANALYSIS

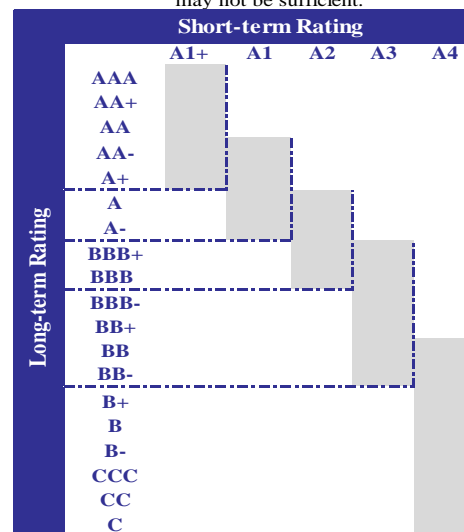
<b>1 Performance</b>				
<i>a Sales Growth (for the period)</i>	7.1%	14.5%	10.0%	5.2%
<i>b Gross Profit Margin</i>	18.4%	18.0%	16.9%	16.3%
<i>c Net Profit Margin</i>	5.4%	2.0%	3.9%	1.8%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working C</i>	0.6%	5.3%	3.8%	-17.2%
<i>e Return on Equity [ Net Profit Margin * Asset Turnover * (T</i>	11.8%	8.6%	17.6%	8.8%
<b>2 Working Capital Management</b>				
<i>a Gross Working Capital (Average Days)</i>	168	209	289	469
<i>b Net Working Capital (Average Days)</i>	165	207	287	466
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	5.2	2.1	1.6	1.4
<b>3 Coverages</b>				
<i>a EBITDA / Finance Cost</i>	2.2	2.9	3.0	3.0
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	0.3	0.3	0.3	0.2
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fin</i>	5.6	5.3	6.3	6.7
<b>4 Capital Structure</b>				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity</i>	29.2%	50.7%	54.3%	57.6%
<i>b Interest or Markup Payable (Days)</i>	0.0	0.0	0.0	0.0
<i>c Entity Average Borrowing Rate</i>	17.5%	11.5%	9.6%	12.6%

### 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	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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	<b>High credit quality.</b> 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+	<b>Good credit quality.</b> 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+	<b>Moderate risk.</b> 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	<b>High credit risk.</b> 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	<b>Very high credit risk.</b> Substantial credit risk "CCC" Default is a real possibility.
CC	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

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- (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)

### **Independence & Conflict of interest**

- (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 | 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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