The Pakistan Credit Rating Agency Limited

Rating Report

Maaksons Engineering Corporation Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
15-Nov-2024	A-	A2	Stable	Upgrade	-
23-Aug-2024	BBB+	A2	Stable	Maintain	-
23-Aug-2023	BBB+	A2	Stable	Maintain	-
24-Aug-2022	BBB+	A2	Stable	Maintain	-
24-Aug-2021	BBB+	A2	Stable	Maintain	-
25-Aug-2020	BBB+	A2	Stable	Maintain	-
27-Aug-2019	BBB+	A2	Stable	Maintain	-
28-Feb-2019	BBB+	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Maaksons Engineering Corporation Limited (“Maaksons” or “the Company”) has been in the construction industry for over seven decades. The Company has three generations of the sponsoring family in the business and has two main offices – Lahore and Islamabad. The sponsors have a very good understanding of the business. The reporting and functional responsibilities are clearly demarcated. Maaksons has a no limit contract license. The Company has a track record with strong capabilities in executing turnkey projects and has built a portfolio of properties at diverse locations. A few years ago, Maaksons re – strategized its business model considering the macro-economic factors more suitable towards real estate development to ensure revenue’s sustainability and diversification. However, late in 2023 with the shift in overall economy towards the development side, the Company has once again resorted to its forte of construction of infrastructure-based projects. Due to timely shift in the business model the financial risk profile of the Company improves, which is buoyed by continuous topline growth driven by securing sizable contracts. Following this strategic shift, the Company’s revenue surged from PKR 1.32 billion to PKR 3.13 billion in FY23. This growth trend persisted into FY24, with topline figures rising significantly to PKR 6.96 billion, and is expected to continue going forward. The Company’s profit margins have also strengthened, aided by the successful selection of contracts. Unlike many of its peers, the Company remains highly selective in project acceptance, strategically focusing on fewer, short-duration projects that yield early cash conversion and higher margins. The current project pipeline provides strong assurance of sustained or even improved financial performance, despite fluctuating demand, which has been a key factor contributing to the improved ratings. The company has limited financial exposure and is mildly leveraged, with a mix of funded and non-funded banking lines to facilitate its business. The equity base is modest and stood at PKR 5.06bln in FY 24. The Comfort is also drawn from the sponsors' experience and vision to pre-empt business strategy according to the changing landscape.

The ratings incorporate inherent synergies and diversification in the group structure providing implicit strength to the business model. Going forward completion of existing contracts on time, successful bidding for new ones and devising a strategy to build sustainable revenue stream remains pivotal for considerable growth. Good corporate governance practice is considered essential.

Disclosure	
Name of Rated Entity	Maaksons Engineering Corporation Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Rating Modifiers(Apr-24),Methodology | Correlation Between Long-term & Short-term Rating Scales(Jul-24),Methodology | Corporate Rating(Jul-24)
Related Research	Sector Study | Construction(Apr-24)
Rating Analysts	Ali Arslan Malik | Ali.Arslan@pacra.com | +92-42-35869504

Profile

Legal Structure Maaksons Engineering Corporation Limited ("Maaksons" or "the Company"), previously known as M. A. Aleem Khan & Sons (Pvt) Limited, was incorporated as a Private Limited Company in 1984 under the repealed Companies Ordinance 1984 (now the Companies Act, 2017). The registered office of the Company is Johar Town, Lahore.

Background The Company commenced its business in 1951 by Mr. M. A. Aleem Khan and in 1984 converted to private limited company. Since 1951 the Company has been in construction business and had worked on several Public Works Development Projects. The Company had successfully completed various projects of water management and irrigation systems. Later, Maaksons developed itself into the arena of infrastructural, commercial and institutional construction, has proven its ability to take on large, complex projects and complete them on time, on budget, and with the highest level of quality.

Operations MAAKSONS specializes in a diverse range of construction projects, including roads and highways, bridges and overhead bridge structures, residential and commercial buildings, canals, tunnels, water, irrigation, dams and flood systems, oil and gas pipeline, industrial and prefabricated buildings and workshop mill query system. The Company holds a "no limit" C-A license from the Pakistan Engineering Council, which allows it to undertake projects of any scale. Some of its notable achievements include the construction of the Community Center and Prism - 9 at DHA Lahore, the Signal Free Corridor on Islamabad Highway and in DHA Lahore, the Metro Bus Corridor in Lahore, Underpass at Bedian Road, Lahore, Widening & Improvement of Main Sheikhupura Road and Sharaqpur Road , Constr. & Rehabilitation of Islamabad Expressway from Faizabad Interchange to Koral Chowk, the 29-Storey Telecom Tower in Islamabad, Construction of 165 Bedded Integrated Medical Care Hospital, DHA, Construction of 12 Storey Park & Ride Parking Plaza, Liberty Market, Lahore, Design & Built Access Command, Control Center and Infrastructure Development for Diplomatic Enclave, Islamabad, Thermal the 3x210 MW Power Station in Muzaffargarh, and the Chashma Canal, among others. After exploring real estate development, the Company has refocused on its forte: infrastructure-based construction projects.

Ownership

Ownership Structure Maaksons is entirely a family-owned business where the third generation has also joined in the recent years. Mr. M. Aleem Khan, was the founder of the Company and after his demise, his eldest son, Mr. Waseem, has emerged as the man at the last mile. The shareholding structure is divided among Mr. M. Aleem Khan's sons, their wives, and his grandsons. Specifically, 5% of Mr. M. Aleem Khan's shares were equally distributed among his sons, increasing their individual stakes to 17.5% each. The wives of the sons each hold 2.5%, while the four grandsons have 15% ownership each. The Company's hierarchy maintains clear lines of authority, with Mr. Aleem Khan's sons and grandsons overseeing their respective areas of responsibility.

Stability Ownership has remained with the sponsoring family since the Company's inception, and no changes are anticipated in the near future. Although there is no formal succession plan in place, a verbal understanding and the clear division of responsibilities among family members contribute to stability in the ownership structure. Currently, Mr. Wasim, the CEO, oversees all matters with support from Mr. Ahsan in the next tier.

Business Acumen The sponsoring family has been in the construction industry for many decades. The sponsors possess a comprehensive understanding of the business, as they are actively involved in the day-to-day operations.

Financial Strength MAAKSONS has a sound financial profile, supported by several subsidiaries, including MAAKCRETE, MAAK Asphalt, and MAAK Gas, which primarily serve the parent organization. Additionally, the sponsors, both independently and through the Company, own numerous properties across different locations in the country, providing further strength and stability to the financial profile.

Governance

Board Structure The overall control of the Company rests with a six-member board, which includes two senior directors: Mr. Waseem Khan and Mr. Nadeem Khan, both sons of the late Mr. M. Aleem Khan. The four grandsons of Mr. Aleem Khan serve as executive directors.

Members' Profile Mr. Waseem Khan and Mr. Nadeem Khan have had a long-standing association with the Company. Their elder sons, Mr. Ahsan Aleem Khan and Mr. Zunair Aleem Khan, bring extensive experience in the construction industry, while the younger sons, Mr. Shazer Aleem Khan and Mr. Shahnawaz Aleem Khan, are relatively new to the field.

Board Effectiveness The Board members are actively involved in the planning and execution of the business projects and overseeing the operations on a regular basis. All six male family members hold executive roles within the Company. The board structure could benefit from the addition of independent members to enhance oversight and governance.

Financial Transparency M/s. Kamran & Co. Chartered Accountants serve as the external auditors for the Company. They issued an unqualified audit opinion with an emphasis of matter paragraph on the financial statements for the year ended June 30, 2023. The audit of the FY24 financial statements is currently in progress.

Management

Organizational Structure The Company's operations are divided into two regions: Islamabad and Lahore, each operating independently. The head office is located in Lahore, while the regional office is in Islamabad. Business related to the Lahore region is managed by Mr. Waseem Khan and his two sons, while the Islamabad region is overseen by Mr. Nadeem Khan and his two sons. This structure clearly demarcates the responsibilities between the regions. Accounts for both regions are maintained separately and consolidated at the MAAKSONS level.

Management Team The board members are supported by an experienced team. Mr. Waseem Khan serves as the CEO of the Company. Descending tier, the team includes Mr. Aamir Chaudhry, General Manager of Construction; Mr. Anwar Cheema, Head of the QS (Quantity Surveying) Section; Mr. Saad Ahmed Farooqi, Regional Manager; Mr. Hamza Mehmood, Manager of Contracts & Operations; and Mr. Iqbal Gabol, Chief Financial Officer. All these department heads are supervised by Directors Mr. Ahsan Aleem Khan and Mr. Zunair Aleem Khan in their respective regions.

Effectiveness The management functions are clear and well-defined, ensuring the effective achievement of the Company's goals and objectives. The board members closely oversee the team to ensure successful execution. Additionally, the board plays an active role in preparing project bids, with detailed meetings held for this purpose. The management holds regular meetings to discuss Company affairs, though the documentation of these meetings is not formalized.

MIS MAAKSONS currently uses the Axiom ERP System to generate daily reports and track project-specific progress. This web-based system is accessible to all staff working on the projects and provides reports on various aspects such as suppliers, procurement, inventory, and more.

Control Environment MAAKSONS adheres to strict quality control standards, recognizing their importance in the construction industry. The Company maintains a comprehensive Management Information System (MIS) to enable the management to track activities across various project sites. While a system of internal control is in place, continuous review by an internal audit department would further improve the effectiveness of the management.

Business Risk

Industry Dynamics The Public Sector Development Program (PSDP) for fiscal year 2024 (FY24) saw an increase of approximately 30.7% year-on-year (YoY), reaching PKR 950bln. Under the Current and Development Expenditure on the Revenue Account, a specific allocation has been made for Construction and Transport. The total amount for these sectors is PKR 40.5bln for Current Expenditure and PKR 39.1bln for Development Expenditure. In comparison to the previous fiscal year (SPLY), these figures have slightly changed, with allocations for Construction and Transport last year being PKR 30.2bln and PKR 55.2bln, respectively.

Relative Position Additionally, MAAKSON benefits from its sponsors' ventures into related businesses within the construction and real estate development sectors. This diversification provides a strategic edge over its peers, as the Company can efficiently utilize in-house resources, optimize costs, and generate steady income streams. This integrated business model not only enhances MAAKSON's operational efficiency but also contributes to sustained financial performance.

Revenues Following a strategic shift in FY22 from real estate development to the construction sector, MAAKSON's area of expertise, the Company's revenue surged from PKR 1.32bln to PKR 3.13bln in FY23. This upward trend continued into FY24, with topline figures rising significantly to PKR 6.96bln-Management numbers. According to management projections, revenue continue to grow in the future. The increase in revenue was driven by key projects, including the Shahdra Flyover Project, the Bedian Project, and few others. Additionally, newly initiated projects, such as the Italian Embassy project and other road related construction undertakings in Lahore and Islamabad, are anticipated to further boost the topline over the next few years. Alongside these projects, the Company is actively bidding for several potential opportunities. Management has expressed confidence in securing a substantial number of these projects, which include the construction of the Nawaz Sharif Cancer Hospital in Lahore, the Green Building in Lahore, and various road improvement works across different regions of the Country.

Margins According to management figures, MAAKSON achieved a gross margin of 23.4% in FY24, up from 18.2% in FY23 and 13.9% in FY22. Net profit margins also improved reaching 11.3% in FY24 compared to 5.8% in FY23 and 17.8% in FY22. Despite inflationary pressures, these rising margins underscore the Company's ability to bid strategically and cautiously. The management remains selective in the selection of project and focus on short-term projects that can be quickly converted into cash.

Sustainability Management is optimistic about securing a significant share of projects funded under the Public Sector Development Program (PSDP) and the Infrastructure Development Authority of Punjab (IDAP), which could further strengthen the project pipeline. Furthermore, several large projects are currently in the pre-qualification phase, with management expressing confidence in securing these contracts. However, the successful awarding and timely execution of these projects will be crucial for sustaining revenue growth and protecting profit margins, ensuring long-term financial stability and operational success.

Financial Risk

Working Capital MAAKSON relies primarily on internal cash flows to meet its working capital requirements, only resorting to short-term borrowings (STB) when necessary. The Company maintains minimal exposure to funded credit lines, but due to the nature of its operations, it holds a significant exposure to non-funded lines such as performance guarantees, which are essential for securing projects. The Company has approximately PKR 1.4bln in unfunded lines, around 50% of which were utilized by the end of FY24. In terms of operational efficiency, MAAKSON has shown improvement, with net working capital days reduced from 23 days in FY23 to 17 days in FY24, indicating better cash cycle management. As MAAKSON's project pipeline expands, the exposure to these non-funded lines is expected to increase, potentially impacting the Company's financial flexibility. However, maintaining a balance between internal cash generation and strategic use of credit lines will be critical to sustaining growth and operational stability.

Coverages In FY24, MAAKSON demonstrated a strong financial performance with free cash flows (FCFO) reaching PKR 1.03bln and EBITDA recorded at PKR 1.5bln, both significantly higher than the PKR 0.29bln and PKR 0.51bln reported in FY23. This substantial increase reflects the Company's enhanced operational efficiency and improved profitability. The interest coverage ratio also rose to 11.4 in FY24, driven by higher core operating profits and a substantial reduction in finance costs relative to revenue. This indicates MAAKSON's strengthened ability to meet interest obligations, showcasing improved financial stability and a lower risk profile.

Capitalization MAAKSON's equity base has shown steady growth, increasing from PKR 4.1bln in FY22 to PKR 4.3bln in FY23 and reaching PKR 5.06bln in FY24. This upward trend in equity highlights the Company's strengthened financial foundation and retained earnings. Total borrowings, including lease liabilities for vehicles, remained relatively stable at PKR 0.597bln in FY24, compared to PKR 0.54bln in FY23 and PKR 0.5bln in FY22. The debt-to-debt plus equity ratio improved to 10% in FY24, down from 11.2% in FY23 and 11.9% in FY22, reflecting a gradual decline in leverage. The Company's borrowings are primarily composed of short-term borrowings.

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Financial Summary
PKR mln

Maaksons Engineering Corporation Ltd	Jun-24	Jun-23	Jun-22	Jun-21
Construction	12M	12M	12M	12M
A BALANCE SHEET				
1 Non-Current Assets	2,900	2,703	2,618	2,772
2 Investments	34	34	93	122
3 Related Party Exposure	760	760	741	277
4 Current Assets	2,527	2,485	1,966	2,395
a Inventories	-	-	-	-
b Trade Receivables	*416*	*446*	*419*	*344*
5 Total Assets	6,221	5,982	5,418	5,566
6 Current Liabilities	423	989	333	602
a Trade Payables	*64*	*156*	*160*	*355*
7 Borrowings	597	539	553	712
8 Related Party Exposure	75	131	380	394
9 Non-Current Liabilities	47	47	58	-
10 Net Assets	5,078	4,277	4,094	3,858
11 Shareholders' Equity	5,061	4,277	4,094	3,858
B INCOME STATEMENT				
1 Sales	6,968	3,135	1,318	1,406
a Cost of Good Sold	*(5,337)*	*(2,566)*	*(1,135)*	*(1,137)*
2 Gross Profit	1,631	570	184	269
a Operating Expenses	(221)	(155)	(138)	(133)
3 Operating Profit	1,410	415	46	136
a Non Operating Income or (Expense)	*13*	*67*	*384*	*138*
4 Profit or (Loss) before Interest and Tax	1,423	482	429	274
a Total Finance Cost	*(90)*	*(86)*	*(80)*	*(76)*
b Taxation	*(548)*	*(213)*	*(114)*	*(82)*
6 Net Income Or (Loss)	785	183	235	116
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	*1,033*	*294*	*5*	*(16)*
b Net Cash from Operating Activities before Working Capital Changes	*948*	*207*	*(74)*	*(110)*
c Changes in Working Capital	*(664)*	*(248)*	*(108)*	*433*
1 Net Cash provided by Operating Activities	284	(41)	(182)	323
2 Net Cash (Used in) or Available From Investing Activities	(293)	(88)	100	753
3 Net Cash (Used in) or Available From Financing Activities	59	(41)	(180)	(610)
4 Net Cash generated or (Used) during the period	49	(170)	(262)	466
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	122.2%	137.8%	-6.3%	-29.7%
b Gross Profit Margin	23.4%	18.2%	13.9%	19.2%
c Net Profit Margin	11.3%	5.8%	17.8%	8.3%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	5.3%	1.5%	-7.8%	29.6%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh*	16.8%	4.4%	5.9%	3.1%
2 Working Capital Management				
a Gross Working Capital (Average Days)	23	50	106	85
b Net Working Capital (Average Days)	17	32	34	-27
c Current Ratio (Current Assets / Current Liabilities)	6.0	2.5	5.9	4.0
3 Coverages				
a EBITDA / Finance Cost	16.8	6.3	1.0	1.0
b FCFO / Finance Cost+CMLTB+Excess STB	9.5	3.2	0.1	-0.2
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.1	0.2	-0.6	-0.7
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	10.6%	11.2%	11.9%	15.6%
b Interest or Markup Payable (Days)	57.8	40.1	46.4	57.2
c Entity Average Borrowing Rate	17.7%	14.9%	12.8%	7.3%

Credit Rating

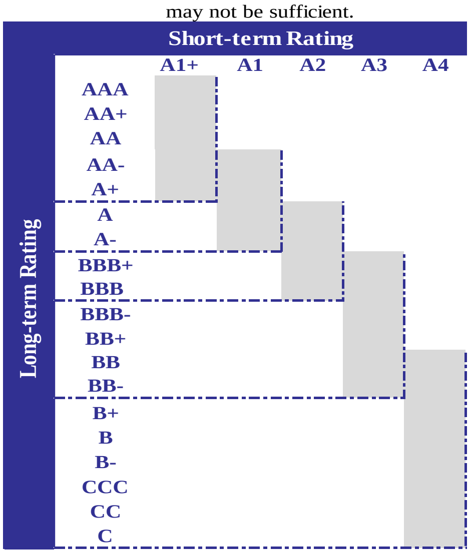
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long-term Rating

Scale	Definition
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ 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.
A+ 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.
BBB+ 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.
BB+ 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.
B+ 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.
CCC CC C	**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.
D	Obligations are currently in default.

Short-term Rating

Scale	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
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 surveill 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

Regulatory and Supplementary Disclosure
(Credit Rating Companies Regulations,2016)

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)

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)
Proprietary Information