



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Corp Limited | ICP

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
20-Dec-2019	-	A1	Stable	Maintain	-
20-Dec-2019	-	A1	Stable	Initial	-
22-Jun-2019	-	A1	Stable	Preliminary	-

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 still evolving and has yet to establish consistent revenue stream for TPL Corp. TPL Insurance remains a stable investment on the Company's book, however, did not generate substantial dividends for TPL Corp. TPL Trakker Limited and TPL Properties Limited remain prominent player in respective sectors. However, they are adding debt and yet to generate sizeable dividends. TPL Life Insurance Limited provides complete health and life insurance products. TPL Maps (Pvt) Limited is the only licensed company in Pakistan for mapping and navigation solutions. TPL Rupiya (Pvt) Limited facilitates cashless payments. Going forward, merger of TPL Maps and TPL Rupiya into TPL Trakker will bring in synergy at Group level. On standalone basis, TPL Corp tends to consolidate and repay debt on its balance sheet. The Company is looking to divest its stake in TPL Insurance and TPL Trakker through strategic sales to generate cash in the Company. Timely materialization of these initiatives is critical. The Company has issued another debt instrument, Islamic Commercial Paper (ICP) to meet financing requirements of its subsidiaries/associated companies. The coverages may remain constrained due to limited dividend income. The rating takes comfort from demonstrated support of the sponsors and their ability to raise funds. Moreover, built in covenants for timely ICP payment including commitment from the Company to have sufficient liquidity at the time of repayment, remains imperative. Strong governance framework remains beneficial for the ratings.

The rating depends on the performance of existing strategic investments and execution of their envisaged business strategies. Timely and successful payment of debt instruments is pre-eminent for the ratings. Maintenance of adequate resources for repayment remains critical.

Disclosure

Name of Rated Entity	TPL Corp Limited ICP
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Corporate Ratings(Jun-19),PACRA_Methodology_Holding Company_FY19(Jun-19),PACRA_Methodology_Debt Instrument_FY19(Jun-19),Criteria Rating Modifier(Jun-19)
Related Research	Sector Study Holding Company(Aug-19)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Legal Structure TPL Corp Limited ("TPL Corp" or "the Company") is a public limited company, listed on the Pakistan Stock Exchange.

Background TPL Trakker Limited was incorporated in Pakistan on December 04, 2008, 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 Pakistan Stock Exchange Limited on July 16, 2012. The name of the Company has been changed to TPL Corp Limited w.e.f. November 24, 2017.

Operations The principal activity of the Company is to make investments in Group and other companies. Registered office of the Company is in Karachi.

Ownership

Ownership Structure TPL Holdings (Private) Limited holds a major stake of 62.41% in TPL Corp. Meanwhile, 6% shares of the Company are held by foreign companies and financial institutions. The Company has a free float of 32%.

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

Business Acumen TPL Corp is the Investment Holding Company of TPL Group with investments across insurance, tracking, real estate, security, navigation, mapping solutions, fintech and financial sectors through its various subsidiaries.

Financial Strength TPL Holdings (Private) Limited's main investments are consolidated in TPL Corp. As at Sept-19, TPL Corp had a strong consolidated asset base of over ~ PKR 18bln, supported by an equity base of PKR 7.7bln and debt of PKR 6.5bln. The Company had a consolidated top-line of over PKR 1.1bln and bottom-line posted a loss of PKR 398mln for period ended Sept-19.

Governance

Board Structure The Company's Board comprises eight Directors of which two are Independent Directors, four Non-Executive Directors and two Executive Director. Four of these members are nominee directors of TPL Holdings (Private) Limited.

Members' Profile Mr. Jameel Yusuf is the Chairman of the Board. The Board members include finance, marketing, business experts and respected retired armed forces personnel. Their diverse backgrounds and varied expertise provide holistic guidance to the Company. During FY19, Mr. Saad Nisar resigned as a Non-Executive Director and Mrs. Sabiha Sultan Ahmad was inducted as an Executive Director on the Company's Board. Mr. Mark Dean Rousseau also became an Independent Director. Earlier, he was a Non-Executive Director on TPL Corp's Board.

Board Effectiveness The Board has two committees to assist in governing the affairs of the Company. These comprise Audit Committee and HR and Remuneration Committee. Board Audit Committee, with four members, met on quarterly basis. While, HR and Remuneration Committee met on half yearly basis. Both committees are chaired by Mr. Nadeem Arshad Elahi - an Independent Director.

Financial Transparency TPL Corp's external auditors, M/s EY Ford Rhodes & Co., Chartered Accountants, have issued an unqualified audit report for financial year ended Jun-19.

Management

Organizational Structure TPL Corp functions as a Holding Company. The Company has instituted a well-designed organizational structure, which is divided across various functional divisions and is headed by the CEO. TPL Corp has seven subsidiaries with each of the subsidiary having its own CEO reporting directly to the Group CEO, Mr. Ali Jameel. The subsidiaries have been given independent operational roles and reporting lines are established for the purpose of performance oversight. However, Legal and IT functions are centralized at the Group level. At the same time, HR and Finance functions at the Group level provide holistic guidance and a wide range operating platform to the corresponding division at the subsidiaries.

Management Team Mr. Ali Jameel is a seasoned professional with about two decades of experience. He is a Fellow Member of the ICAEW. He is accompanied by a team of experienced individuals. Mr. Adnan Khandwala, a Chartered Accountant by profession, joined the Company as CFO last year.

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

MIS The Company maintains strong IT infrastructure and monitoring by deploying Oracle E-Business Suit as ERP solution. Two Oracle modules are operational. TPL Corp continues to invest in technology to ensure efficient monitoring to strengthening the internal processes of the Company.

Control Environment TPL Corp has an Internal Audit Department at Group level that reports to the Chairman of the Board Audit Committee. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

Business Risk

Industry Dynamics Holding companies are an emerging phenomena in Pakistan. Some operating companies that held strategic investments gradually for the purpose of diversification and growth eventually de-merged from their operations and structured itself so that holding companies could concentrate their investments for the purpose of business growth and diversification.

Relative Position TPL Corp has interest in the pioneer GPS tracker of the industry in Pakistan, named TPL Trakker. It hold the largest market share (~42%) in tracking and fleet management industry. Key business risks faced by TPL Properties with rental model are occupancy rate and inflation. It has hedged these risks through built-in clauses in contract and enjoys 100% occupancy. The Company's subsidiaries in insurance industry occupies prominent place with TPL Life and TPL Insurance. TPL Life Insurance is a small sized life insurer with the market share of less than 1%. TPL Insurance is a medium sized company with 3% market share.

Revenues The Company's standalone income mainly comprises dividends received from the subsidiaries. The Company received dividend income of PKR 175mln, from TPL Insurance only, during FY19. However, no dividends were received during 3MFY20. On a consolidated basis, revenue stood at PKR 4.3bln as at Jun-19 (Jun-18: PKR 3.5bln), reflecting an increase of 23% and Net Profit clocked in at PKR 670mln (Jun-18: PKR 268mln), posting a significant increase. During 3MFY20, the Company's consolidated revenue posted an increase of 2%, however, posted a loss.

Margins Finance cost is impacting the Company's bottom-line. Meanwhile, dividends from subsidiaries remain crucial.

Sustainability All subsidiaries, excluding TPL Insurance, are currently in growth. Going forward, funds generated are expected to be utilized internally.

Financial Risk

Working Capital During FY19, the Company issued a 6 month Islamic Commercial Paper of upto PKR 1,100mln to finance the working capital requirements of its subsidiaries/associated companies. It carries markup at the rate of 6 months KIBOR plus 2.75 percent. The instrument will be redeemed as a bullet payment in Jan'20. Timely repayment of the instrument will bring stability to the Company's debt mix and provide cushion.

Coverages TPL Corp experienced thin coverages, standing at 0.1x at end FY19 (3MFY20: -0.2x) due to higher finance cost. The Company's coverages are expected to remain under pressure. Meanwhile, necessary support from Sponsors and divestment of strategic holdings are expected to help meet timely payments.

Capitalization TPL Corp has a modestly geared capital structure (FY19: 21%, 3MFY20: 30%). The Company issued a privately placed Term Finance Certificates (TFCs) of PKR 1.2bln during FY18. This carried markup at the rate of 3 months KIBOR plus 1.5% per annum and are redeemable in 03 equal installments at the end of 12th, 18th and 24th month. These are secured by way of pledge of 26.9mln shares of TPL Insurance Limited. Last installment of PKR 400mln was settled 19-Dec-19. The Company is planning IPO of TPL Trakker and expects funds from subsidiaries to meet repayment requirements.



Financial Summary

The Pakistan Credit Rating Agency Limited

PKR - mln

TPL Corp

BALANCE SHEET

	30-Sep-19	30-Jun-19	30-Sep-18	30-Jun-18
	1Q	Annual	1Q	Annual
Non-Current Assets	2	2	1	1
Investments	5,306	5,130	4,657	4,657
Current Assets	906	543	81	114
Inventory				
Trade Receivables				
Others	906	543	81	114
Total Assets	6,215	5,675	4,739	4,771
Debt	1,454	933	1,189	1,188
Short-term	1,054	533	-	-
Long-term (incl. Current Maturity of Long-Term Debt)	400	400	1,189	1,188
Other short-term liabilities	1,160	1,201	473	460
Other long-term liabilities				
Shareholder's Equity	3,601	3,540	3,076	3,123
Total Liabilities & Equity	6,215	5,675	4,739	4,771

INCOME STATEMENT

Operational Expenses	(24)	(127)	(7)	(41)
Financial Charges	(92)	(178)	(40)	(62)
Net Income	(116)	(304)	(47)	(103)

Cashflow Statement

Free Cash flow from Operations (FCFO)	(23)	23	(7)	(41)
Net Cash changes in Working Capital	(449)	249	33	331
Net Cash from Operating Activities	(525)	160	0	242
Net Cash from Investing Activities	(0)	(200)	(0)	(1,367)
Net Cash from Financing Activities	521	46	-	1,126

Ratio Analysis

Performance

Dividend Growth	-100.0%	0.0%	N/A	N/A
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Coverages

Interest Coverage (X) (FCFO/Gross Interest)	-0.2	0.1	-0.2	-0.7
Debt Service Coverage (X) (FCFO/Gross Interest+CMLTD+Total STB)	-3.5	-2.6	0.0	-11.5

Capital Structure (Total Debt/Total Debt+Equity)	28.8%	20.9%	27.9%	27.6%
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TPL Corp

Dec 2019

Debt Instrument Rating Scale & Definitions

Credit rating reflects forward-looking opinion on credit worthiness of underlying 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 Ratings

AAA **Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments

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+ **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+ **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+ **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+ **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 **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 Ratings

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.

B The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.

C An inadequate capacity to ensure timely repayment.

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, a) some material identifiable event and/or b) deviation from expected trend. 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 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) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) 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.

Disclaimer: PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

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.
- (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 | 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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The Pakistan Credit Rating Agency Limited

Debt Repayment Schedule

Rated, Privately Placed, Islamic Commercial Paper ("ICP")	
Name of Issuer	TPL Corp (Pvt.) Limited
Placement	Privately Placed
Issue size	PKR 1,100mln
Issue Date	Jul-19
Tenor	06 months
Maturity	06 months from the issue date
Profit Rate	6M KIBOR plus 2.75% per annum; paid on maturity
Principal Repayment	Bullet paid at the time of maturity
Put Option	N/A
Security	The Islamic Commercial Papers will be unsecured.
Trustee	Arif Habib Limited

Opening Principal PKR in mln	Principal Repayment	Markup		Markup Payment	Installment Payable PKR in mln	Principal Outstanding
		Due Date	Rate			
1,100	-	15-Jul-19		0	-	1,100
1,100	1,100	12-Jan-20	16.1%	88	1,188	-