The Pakistan Credit Rating Agency Limited

Rating Report

Unicol Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
18-Mar-2022	A	A1	Stable	Maintain	-
19-Mar-2021	A	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan's ethanol segment is largely export based owing to limited usage in the domestic market. Sugarcane production improved in Pakistan during MY21, however, ethanol exports stood at 183,856 MT during MY21 (MY20: 229,639 MT) according to PEMA (Pakistan Ethanol Manufacturers Association), slipping by ~20% due to higher molasses exports. Resultantly, low availability of molasses led to high procurement costs for local distilleries. On the demand front, prices of ethanol in the global market posted an inclining trajectory supported by higher demand. This was further supplemented by the devaluation of the Pakistani Rupee leading the domestic distilleries to post stable profits. During MY22, the distillery segment is expected to remain cash-rich and significantly liquid. Margins are also expected to remain stable owing to higher ethanol prices enabling the segment to cover the cost of molasses, and other costs of production. Lately, the ongoing global conflict has already impacted rise in prices of ethanol in the international market, however, higher transportation costs might create a challenge for the segment, going forward.

The ratings reflect Unicol Limited's strong business profile emanating from robust margins and the export-oriented nature of the ethanol industry. Additionally, the ratings draw strength from the Company's association with three strong business Groups: Ghulam Faruque Group, Amin Bawany Group, and Hasham Group. The Company has a developed clientele in export market. Over time, Unicol has been able to enhance efficiency through consistently investing in BMR. This has yielded positive results while augmenting the turnover, and maintaining a stable trend in profitability. The Company has an adequately leveraged capital structure supplemented by strong coverages and healthy working capital cycle. This kept the financial risk moderate.

The ratings are dependent on the Company's ability to sustain its margins and healthy coverages while maintaining the necessary cushion and discipline in working capital management. Amicably sustaining the relationship among shareholders remains crucial for the ratings. Significant deterioration in coverages will have a negative impact on ratings.

Disclosure

Name of Rated Entity	Unicol Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Corporate Rating(Jun-21),Criteria | Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria | Rating Modifiers(Jun-21)
Related Research	Sector Study | Sugar(Dec-21)
Rating Analysts	Shayan Farooq | shayan.farooq@pacra.com | +92-42-35869504

Profile

Legal Structure Unicol Limited ('Unicol' or 'the Company') is a public unlisted company, incorporated in 2003.
Background Unicol began its commercial operations in 2007. The distillery was setup as a joint venture among three sugar mills, namely, Faran Sugar Mills Ltd., Mehran Sugar Mills Ltd. and Mirpurkhas Sugar Mills Ltd. Later in 2014, Unicol also installed a Liquid Carbon Dioxide production plant. All the companies in JV agreement are listed on Pakistan Stock Exchange.
Operations Primary business activity of Unicol is to manufacture and sell ethanol and carbon dioxide. The Company has its plant located in Mirpurkhas, whereas, its head office is located on Beaumont Road, Karachi. The Company produces Anhydrous Ethanol (>99.9%), A-Grade Ethanol (>96%) and B Grade ethanol (>92%) with installed production standing at 160MT per day. Unicol produced 54,888MT of ethanol during MY21 (MY20: 41,618MT), with utilization of 98% (MY21: 74%). The Company also produces food-grade Liquid Carbon Dioxide of 99.9% purity level through sugarcane fermentation, with an installed production capacity of 72MT per day. Unicol produced 11,451MT of Liquid Carbon Dioxide during MY21 (MY20: 6,931MT), with utilization of 64% (MY20: 39%).

Ownership

Ownership Structure Unicol is a JV among three sugar mills, Faran Sugar, Mehran Sugar and Mirpurkhas Sugar, each holding an equal stake of ~33.33%.
Stability Ownership seems stable. The sponsoring groups, Ghulam Faruque, Amin Bawany and Hasham, have a strong standing in various segments of economy.
Business Acumen Ghulam Faruque, Amin Bawany and Hasham groups are ranked amongst the leading industrial groups of the country with diversified interests in cement, packaging, sugar, construction, renewable energy and consumer goods segments.
Financial Strength The companies in the JV have strong financial strength derived from their operations. during Sep-21, the three companies had a cumulative assets base of ~PKR 19bln, supported by an equity base of ~PKR 7.5bln with a debt of ~ PKR 9bln They generated a revenue base of ~ PKR 16bln and posted a cumulative loss of ~PKR 254mln during Sep-21.

Governance

Board Structure Board of Directors comprises 7 members. There are 5 Non-Executive Directors, 1 Chief Executive and 1 Independent Director on the BoD. The three sponsoring companies have equal representation on the Company's Board.
Members' Profile The Company's Board comprises experienced individuals. Mr. Asif Qadir, Chairman of the Board, is an Independent Director. He has an overall experience of more than 4 decades and is also on the Board of Cherat Cement Ltd., Descon Oxychem Ltd., TriPack Films Ltd., Thal Ltd. and Liaqat National Hospital.
Board Effectiveness During MY21, four Board meeting were convened among members with meeting minutes being captured formally. The Board is assisted by Board Audit Committee, which is chaired by Mr. Asif Qadir. The Committee met four times during MY21.
Financial Transparency The Company has appointed EY Ford Rhodes as its external auditors. The firm has expressed an unqualified opinion on the financial statements of the Company for the year ended Sept-21. The firm has been appointed as the Company's auditor since inception.

Management

Organizational Structure The Company's organizational structure reflects clear reporting lines and is split between the production site and head office. The Company operates through seven functions; namely, operations, procurement, sales & marketing, finance, IT, internal audit and HR. All functional heads reports to the Company's CEO, who then reports to the BoD. However, HR, IT, procurement and internal audit functions are shared at the group level.
Management Team Management comprises experienced individuals. Mr. Aslam Faruque, CEO, has more than 25 years experience in sugar & ethanol industry. He's also CEO of Mirpurkhas Sugar Mills Ltd. He is supported by Mr. Mustapha Qaisar (COO), Mr. Saad Ali Khawaja (CFO) and Mr. M. Asad Siddiqui (Company Secretary).
Effectiveness Performance is discussed among the Directors on a weekly basis to review activity and operations. However, the Company has no formal management committees in place.
MIS The Company uses SAP software, installed and managed by a Group company, Zensoft Pvt. Ltd. Reports are submitted to senior management as per requirement.
Control Environment Internal audit function is placed at group level. It ensures compliance and efficiency by quarterly evaluations while reporting to Audit Committee.

Business Risk

Industry Dynamics Pakistan's ethanol segment is largely export based owing to limited usage in the domestic market. Sugarcane production improved in Pakistan during MY21, however, ethanol exports stood at 183,856 MT during MY21 (MY20: 229,639 MT) according to PEMA (Pakistan Ethanol Manufacturers Association), slipping by ~20% due to higher molasses exports. Resultantly, low availability of molasses led to high procurement costs for local distilleries. On the demand front, prices of ethanol in the global market posted an inclining trajectory supported by higher demand. This was further supplemented by the devaluation of the Pakistani Rupee leading the domestic distilleries to post stable profits. During MY22, the distillery segment is expected to remain cash-rich and significantly liquid.
Relative Position According to its export revenue, Unicol has a market share ~12.5%.
Revenues The Company's revenue stream is export based, accounting for ~97% of total revenue during MY21. Sales revenue during MY21 stood at ~PKR 8.4bln (MY20: PKR 5.8bln), surging by ~45% over the preceding year. The growth in revenue was primarily due to 31% higher ethanol volumes. Moreover, 10% higher ethanol prices in international market also supplemented the revenue. During 1QMY22, sales remain dominated by ethanol exports (97%), while posted a dip of 27% (1QMY22: PKR 1.5bln, 1QMY21: PKR 1.9bln). This was on the back of lower volume of ethanol exported.
Margins Due to 20% increase in average price of molasses on back of lower availability of cane and rise in demand of molasses, the Company experienced a dip in gross margins during MY21 (MY21: 14%, MY20: 19%). Gross profit stood at PKR 1,154mln during MY21, from PKR 1,120mln in MY20. Similarly, operating margin posted a decrease (MY21: 9%, MY20: 13%) due to a trickledown effect, despite proportionately lower admin and selling expenses. Finance cost rose by 18% to PKR 153mln in MY21, from PKR 130mln in MY20, due to higher effective short-term borrowings. Hence, Unicol posted a net income of PKR 502mln (MY20: PKR 524mln), translating into a dip in net margin (MY21: 6%, MY20: 9%). During 1QMY22, gross profit stood at PKR 213mln (1QMY21: PKR 535mln). This translated into a gross margin of 14% (1QMY21: 27%). Operating margins also declined resultantly to 8% (1QMY21: 23%). Finance costs increased to PKR 38mln during 1QMY22, from PKR 24mln during 1QMY21, on the back of higher borrowings. Resultantly, net income stood at PKR 70mln during 1QMY22 (1QMY21: PKR 385mln). Net margin stood at 5% (1QMY21: 20%).
Sustainability The Company has no major expansion activities planned, rather its main focus is to improve efficiency through BMR. Moreover, the management has no plans of obtaining further long-term loans and will aim to retain profits for the next couple of years.

Financial Risk

Working Capital During MY21, the Company was able to improve net working capital days to 62 (MY20: 64 days), on the back of lower average inventory days and trade receivable days. Receivable days dipped to 10, from 3 days in MY20 on the back of late payments. All receivables are due from locally sold LCO2. Payable days reduced further to 2 during MY21 (MY20: 3 days). Short term total leverage improved to 13% in MY21 (MY20: 8.5%). During 1QMY22, the Company witnessed a deterioration in net working capital days (1QMY22: 113 days, 1QMY21: 65 days) owing to high stocks accumulated during the crushing season. Similarly, high utilization of short-term lines was reflected in a deteriorated room to borrow.
Coverages FCFO stood at PKR 895mln during MY21 (MY20: 916mln). Finance cost rose to PKR 153mln during MY21 (MY20: PKR 130mln) on the back of higher short-term borrowings. As a result, interest coverage dipped to 6.4x (MY20: 7.7x) and total coverage to 3.8x (MY20: 4.9x), though still remaining strong. Debt payback period remained stable at 0.2 years (MY20: 0.2 years). The Company's coverages in 1QMY22 dipped at 4.7x (1QMY21: 21.1x) and total coverage to 3.2x (1QMY21: 12.9x). This was on the back of lower FCFO (1QMY22: PKR 161mln, 1QMY21: PKR 470mln) and higher finance cost (1QMY22: PKR 38mln, 1QMY21: PKR 24mln).
Capitalization The Company has a moderately leveraged capital structure represented through a debt-to-equity ratio of ~37% in MY21 (MY20: 40%). Total debt during MY21 stood at PKR 1,800mln (MY20: PKR 2,190mln) and registered a decline of 18% over the preceding period. Low-cost borrowing, Export Refinance Facility from SBP, benefits the Company. Leverage stood at 53% during 1QMY22 (1QMY21: 45%).

PACRA

The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

Unicol Limited	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20	Sep-19	Sep-18
Sugar	3M	12M	9M	6M	3M	12M	12M	12M
A BALANCE SHEET								
1 Non-Current Assets	2,444	2,469	2,490	2,535	2,556	2,590	2,767	2,825
2 Investments	16	16	16	16	460	16	16	16
3 Related Party Exposure	4	1	32	54	37	30	544	-
4 Current Assets	4,468	2,775	4,705	5,415	3,675	3,065	2,542	2,397
a Inventories	*1,847*	*1,271*	*3,390*	*3,470*	*1,618*	*1,229*	*824*	*1,199*
b Trade Receivables	*243*	*441*	*51*	*578*	*59*	*15*	*66*	*259*
5 Total Assets	6,932	5,262	7,242	8,020	6,728	5,701	5,869	5,238
6 Current Liabilities	505	367	409	460	552	281	394	330
a Trade Payables	*73*	*53*	*68*	*80*	*85*	*41*	*62*	*78*
7 Borrowings	3,412	1,800	3,647	4,224	2,749	2,190	1,944	1,812
8 Related Party Exposure	-	-	-	-	-	-	-	-
9 Non-Current Liabilities	-	-	-	-	-	-	-	-
10 Net Assets	3,015	3,095	3,186	3,337	3,427	3,230	3,531	3,096
11 Shareholders' Equity	3,015	3,095	3,186	3,337	3,427	3,230	3,531	3,096
B INCOME STATEMENT								
1 Sales	1,488	8,382	5,701	4,046	1,973	5,823	5,502	5,168
a Cost of Good Sold	*(1,275)*	*(7,229)*	*(4,770)*	*(3,282)*	*(1,438)*	*(4,703)*	*(3,797)*	*(3,371)*
2 Gross Profit	213	1,154	931	765	535	1,120	1,704	1,797
a Operating Expenses	(88)	(403)	(276)	(177)	(74)	(348)	(393)	(369)
3 Operating Profit	125	751	656	587	461	772	1,311	1,428
a Non Operating Income or (Expense)	*(3)*	*(11)*	*(47)*	*(38)*	*(31)*	*(60)*	*(45)*	*(74)*
4 Profit or (Loss) before Interest and Tax	123	740	609	549	429	713	1,266	1,354
a Total Finance Cost	*(38)*	*(153)*	*(107)*	*(64)*	*(24)*	*(130)*	*(100)*	*(117)*
b Taxation	*(15)*	*(85)*	*(58)*	*(41)*	*(20)*	*(59)*	*(57)*	*(23)*
6 Net Income Or (Loss)	70	502	444	445	385	524	1,110	1,214
C CASH FLOW STATEMENT								
a Free Cash Flows from Operations (FCFO)	*161*	*895*	*731*	*633*	*470*	*916*	*1,462*	*1,580*
b Net Cash from Operating Activities before Working Capital	*136*	*742*	*655*	*581*	*444*	*788*	*1,363*	*1,461*
c Changes in Working Capital	*(1,297)*	*324*	*(1,703)*	*(2,119)*	*(303)*	*(16)*	*(550)*	*147*
1 Net Cash provided by Operating Activities	(1,161)	1,066	(1,048)	(1,538)	141	772	813	1,608
2 Net Cash (Used in) or Available From Investing Activities	(31)	(127)	(84)	(67)	(471)	(89)	(212)	(219)
3 Net Cash (Used in) or Available From Financing Activities	1,462	(1,025)	969	1,696	371	(578)	(544)	(1,342)
4 Net Cash generated or (Used) during the period	271	(86)	(164)	91	41	105	58	48
D RATIO ANALYSIS								
1 Performance								
a Sales Growth (for the period)	-29.0%	43.9%	30.5%	39.0%	35.5%	5.8%	6.5%	--
b Gross Profit Margin	14.3%	13.8%	16.3%	18.9%	27.1%	19.2%	31.0%	34.8%
c Net Profit Margin	4.7%	6.0%	7.8%	11.0%	19.5%	9.0%	20.2%	23.5%
d Cash Conversion Efficiency (FCFO adjusted for Working C	-76.3%	14.5%	-17.1%	-36.7%	8.4%	15.5%	16.6%	33.4%
*e Return on Equity [Net Profit Margin * Asset Turnover * (T*	9.2%	15.9%	18.5%	27.1%	46.3%	15.5%	33.5%	39.2%
2 Working Capital Management								
a Gross Working Capital (Average Days)	117	64	112	119	68	67	78	103
b Net Working Capital (Average Days)	113	62	110	117	65	64	73	97
c Current Ratio (Current Assets / Current Liabilities)	8.8	7.6	11.5	11.8	6.7	10.9	6.4	7.3
3 Coverages								
a EBITDA / Finance Cost	5.2	7.0	8.0	11.5	22.0	8.2	17.5	15.2
b FCFO / Finance Cost+CMLTB+Excess STB	3.2	3.8	6.9	8.5	12.9	4.9	5.9	3.6
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fir	0.3	0.2	0.2	0.2	0.1	0.2	0.2	0.4
4 Capital Structure								
a Total Borrowings / (Total Borrowings+Shareholders' Equit	53.1%	36.8%	53.4%	55.9%	44.5%	40.4%	35.5%	36.9%
b Interest or Markup Payable (Days)	94.2	60.4	151.1	107.5	90.0	70.9	88.5	69.2
c Entity Average Borrowing Rate	4.4%	4.8%	4.3%	4.1%	3.6%	5.2%	4.7%	5.9%

Credit Rating

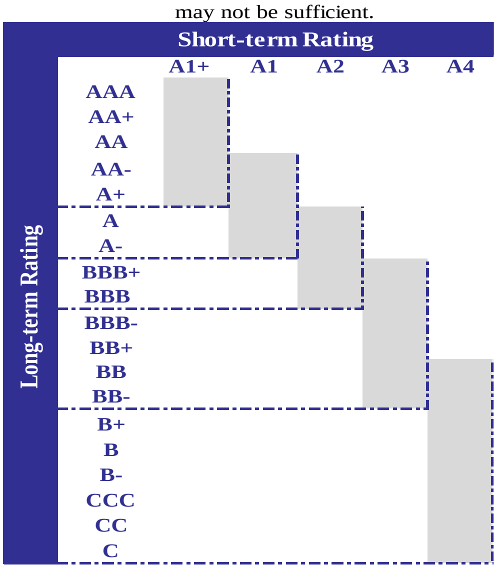
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

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):

Entities
a) Broker Entity Rating
b) Corporate Rating
c) Financial Institution Rating
d) Holding Company Rating
e) Independent Power Producer Rating
f) Microfinance Institution Rating
g) Non-Banking Finance Companies (NBFCs) Rating

Instruments
a) Basel III Compliant Debt Instrument Rating
b) Debt Instrument Rating
c) Sukuk 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.
(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)

Proprietary Information
(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA’s prior written consent