



The Pakistan Credit Rating Agency Limited

Rating Report

TPL REIT Management Company Limited

Report Contents

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

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Dec-2023	RM 3+	-	Stable	Maintain	-
23-Dec-2022	RM 3+	-	Stable	Maintain	-
23-Dec-2021	RM 3+	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating recognizes TPL REIT Management Limited's financial risk profile ("TPLRMC" or the "Company") which is supported by the adequate capital structure. The rating reflects TPL-RMC's well-experienced management team and governance framework. The Board comprises seasoned professionals having vast experience in various sectors. The Company has launched its first hybrid Shariah Compliant REIT Fund "TPL REIT Fund I" which comprised of three projects i) Technology Park (commercial office & business hotel) ii) Mangrove (waterfront mid-rise community) and iii) One Hoshang (luxury residences). As per management representation, the Company under the current macroeconomic environment, the demand for Commercial Office space seems weak as Corporates are delaying their capital expenditures to overcome high inflation and widening interest costs, management entails to revisit the project whereby it is looking to reposition the portfolio. TPL-RMC is de-risking the Fund's projects in three major ways: i) Drawing investors' commitments according to a milestone-based schedule ii) Working with world-acclaimed international and local third-party partners iii) Getting its decisions vetted by the investment committee comprising of independent members. The REIT FUND is operating through an SPV structure where the three SPVs depicting the three projects a) One Hoshang represented by HKC PVT LTD. b) The Mangrove Project represented by NMC PVT LTD and c) The Technology Park represented by TTZ PVT LTD. TPL-RMC has achieved the first close for the REIT Fund at PKR 18.35bln, out of which PKR 14.975bln has been drawn down by the entity till now and the remaining drawn is expected to be completed before the year end 2023. TPL RMC has a strong partner network, which includes Squire & Partners (UK) in the design team and SSH a leading design firm from MENA region. Previously, TPL RMC incorporated a wholly owned subsidiary TPL INVESTMENT MANAGEMENT LIMITED in Abu Dhabi Global Market (ADGM) which has a 3C license. The Foreign subsidiary is currently in the process of raising investment from Foreign Investors. Going forward, the RMC plans to get the REIT FUND I listed in early 2024 on the main board at PSX. The offering will allow investors to tap into Pakistan's booming real estate. During FY23 the PAT of the RMC has increased to ~PKR 364mln (FY22: ~PKR 233mln). The profit is attributable to the performance fee and management fee. During FY23, sponsors have injected fresh equity in amounting to ~PKR 456mln. Equity of the RMC stood at ~PKR 1,363mln at the end of FY23 (FY22: ~PKR 643mln) which is well above minimum regulatory requirement.

The assigned rating reflects TPL RMC's association with a well-established real estate developer and operator 'TPL Properties, whose wholly owned subsidiary 'TPL Development Private Limited' is the development adviser to the Fund.

Disclosure

Name of Rated Entity	TPL REIT Management Company Limited
Type of Relationship	Solicited
Purpose of the Rating	REIT Manager Rating Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-23),Assessment Framework REIT Manager Rating(Oct-23)
Related Research	Sector Study Real Estate(May-23)
Rating Analysts	Muhammad Atif Chaudhry Atif.Chaudhry@pacra.com +92-42-35869504

Profile

Background TPL REIT Management Company Limited (TPL-RMC or the "Company") is a public limited company, licensed by SECP to carry out REIT Management Services in accordance with NBFC Rules, 2003 and REIT Regulations, 2015. TPL-RMC was incorporated in 2018 to capitalize on the emerging REITs market in Pakistan. The company has launched Pakistan's first Hybrid REIT, "TPL REIT Fund I" and is providing REIT management services to it.

Market Share Currently, the industry comprises of 18 RMCs registered with SECP, with total assets amounting to PKR ~9.0bIn (~0.3% of total assets of the NBFCs in the country) (Dec'22: ~16 RMCs with PKR ~8.9bIn in assets and forming ~0.3% of NBFCs' total assets). TPL-RMC is one of those companies licensed to undertake REIT management services and has launched the first hybrid Non-PPP REIT Fund. TPL-RMC has achieved first close for the REIT Fund at PKR 18.35bIn and currently have drawn down PKR 14.975bIn which has helped to establish its market share in the industry.

Fund Mix The Company has launched the first closed-end and shariah-compliant Hybrid Non-PPP REIT Fund "TPL REIT Fund I". The fund size is targeted at ~ PKR 80bIn. The funds raised from the first close of the Fund are invested in three projects namely: i) Technology Park (Commercial Office & Business Hotel) ii) Mangrove (Waterfront mid-rise community) and iii) One Hoshang (Luxury residences).

Ownership

Ownership Structure TPL-RMC is a wholly-owned subsidiary of TPL Properties Limited. TPL Properties Limited is the real estate arm of TPL Group.

Stability TPL Properties ownership structure is considered to be stable as the majority stake rests with the TPL Group.

Business Acumen TPL Group being a technology conglomerate has also established its self in the Real Estate Sector with projects like Centre Point being the state of the building to their credit. It has through its Real Estate arm TPL Properties Limited has expanded its self to the REIT sector and is a fairly recent entrant to the REIT industry of Pakistan. Its strategy for new ventures has centered on building partnerships with industry players who contribute core-business acumen and best practices, whereas TPL Group provides operational management and market knowledge.

Financial Strength TPL Corp, the holding company of the TPL Group, has investments in Life & Non-Life Insurance, Real Estate, Security, Asset Tracking, Technology, Internet of Things, Digital Mapping, and Venture Capital. TPL Group has an equity base of over ~PKR 12.197bIn at end-Sep'23.

Governance

Board Structure TPL-RMC's Board of Directors comprises seven members including five independent directors, one non- executive directors and one executive director.

Members' Profile The Non-executive Director, Mr. Ali Jameel, besides holding this office also serves at the board of several prestigious organization. He is CEO of TPL Corp Ltd, which was founded in 2000, and has diversified investments in Asset Tracking, Digital Mapping, Life Insurance, General Insurance, Fintech, Information Technology and Property Development. The rest of the Board members are seasoned professionals having extensive experience in various sectors.

Board Effectiveness The Board of the Company has the overall responsibility for the establishment and oversight of the risk management framework. There are three Board level committees i) Audit, Risk and Oversight Committee ii) Human Resource & Remuneration Committee and iii) Investment Committee. Quality of Board minutes is satisfactory with board minutes entailing comprehensive discussions covering future outlook and strategy.

Transparency The external auditors of the Company are M/S KPMG Taseer Hadi & Co.. They have a satisfactory QCR rating and are classified in the 'A' category of the SBP Panel of Auditors. The Company has an in-house internal audit department that reports independently to the audit committee.

Management

Organizational Structure TPL-RMC has a well-defined organizational structure having departments and sub-departments reporting to the CEO. The departments are i) Finance ii) Risk iii) Legal iv) Compliance v) Corporate Finance vi) Marketing vii) Human Resources viii) IT and ix) Admin.

Management Team The management team of the Company comprises experienced and qualified professionals. The CEO, Mr. Ali Asgher, possesses ~14 years of experience. He has primarily worked for TPL Properties. The CFO, Mr. Imad Zahid Nagi, possesses overall ~15 years of experience in the financial sector, Head of Risk Management, Mr Aarsal Ayub – possess 10 years experience specializing in risk assessment and innovative product development of various entities including banking, insurance and asset management.

Management Effectiveness The management is effectively engaged with stakeholders to ensure regulatory approval of the project.

Oversight Of Third-Party Service Providers The Company has hired the expertise of various third-party service providers such as development advisors, independent valuers, international fund administrator, and others. The management's experience in real estate has equipped it to effectively oversee third-party service providers.

Control Environment The Company has established legal and compliance departments. The department is headed by Mr. Danish Qazi, a UK-qualified barrister. The department ensures compliance with all applicable statutory regulations and internal investment guidelines.

Investment Risk And Portfolio Management

Investment Risk Management The Company has established Investment Committee to evaluate investment opportunities as per investment guidelines stipulated in the Information Memorandum. The Company is managing the investment risk by overseeing activities such as (i) Drawing investors' commitments according to a milestone based schedule (ii) Working with world-acclaimed third-party partners and (iii) Getting its decision vetted by the Investment Committee comprised of independent members. The risk management policy is in place which covers operational risks, credit risks, and financial risks. Risk management is overseen by the Head of Compliance. The Company has also engaged Shariah Advisor to ensure the REIT Compliance with Shariah rules.

Investment Decision Making As per international best practices, TPL-RMC has established an Investment Committee, comprising experienced independent professionals to oversight and approve investment decisions as per the investment criteria mentioned in Information Memorandum. The members of the Investment Committee include Mr. Adnan Afaq and Mr. Abdul Wahab Al Halabi and M Aliuddin Ansari (advisor to the committee) Along with it, an advisory board has been formed at the foreign subsidiary level to set out the strategic direction of the TPL REIT Fund.

Investment Research & Analysis The investment and acquisition department is responsible for monitoring the real estate value, market position, changes in the economic and regulatory environment that may impact the operations and performance of the TPL REIT Fund. Mr. Moid Shaikh is heading the department.

Customer Relationship

Investor Services The Company would manage investors' relationships using specifically developed software which would provide a centralized platform for facilitating and monitoring sales and marketing activities.

Investor Reporting The investor's reporting mechanism involves quarterly, half yearly and annual submission of project updates and financial reporting. In addition to this the Company also publishes a monthly project progress report to the investors.

Distribution & Sales Network Currently, the Company is operating through its head office based in Karachi.

Investment Performance

REIT Funds Under Management The Company has achieved first close of PKR 18.35bIn for its Hybrid Shariah-compliant REIT fund and currently drawn down PKR 14.975 bIn. During the period, the per unit NAV of REIT Fund increased by ~38% and closed at PKR 19.39 per unit on 30th Jun 2023.

Performance The topline of the Company has increased to PKR 1,052mIn during FY23 (FY22: PKR 463mIn). While the PAT has increased to PKR ~364mIn during FY23 (FY22: PKR 233mIn). The profit is attributable to REIT Scheme Fund's management fee (1.5% of NAV) and performance fee (15% of NAV) to be charged as per the REIT Regulations, 2022.

Financial Sustainability The sponsor has injected fresh equity amounting to PKR 456.3mIn during FY23. The current equity of the Company is standing at PKR 1,363mIn as of end-Jun'23 which is well above the minimum regulatory requirement.



The Pakistan Credit Rating Agency Limited

PKR mln

TPL REIT Management Limited
Public Limited

Sep-23	Jun-23	Jun-22	Jun-21
Management	Audited	Audited	Audited
3M	12M	12M	12M

A BALANCE SHEET

1 Earning Assets	917	867	337	417
2 Non-Earning Assets	1,124	1,213	523	3
3 Total Assets	2,042	2,081	860	420
4 Total Borrowing	-	-	-	-
5 Other Liabilities	661	718	217	10
6 Total Liabilities	661	718	217	10
7 Shareholders' Equity	1,381	1,363	643	410

B INCOME STATEMENT

1 Investment Income	114	1,052	463	8
2 Operating Expenses	(88)	(493)	(129)	(1)
3 Net Investment Income	26	560	333	7
4 Other Income	-	-	4	-
5 Total Income	26	560	337	7
6 Other Expenses	(1)	(5)	(7)	-
7 Total Finance Cost	(0)	(0)	-	-
8 Profit Or (Loss) Before Taxation	25	554	331	7
9 Taxation	(7)	(190)	(98)	(1)
10 Profit After Tax	18	364	233	6

C RATIO ANALYSIS

1 Investment Performance

i. Investment Income / Average AUMs	N/A	N/A	N/A	N/A
ii. ROE	5.2%	36.3%	44.3%	-
iii. ROA	3.4%	24.8%	36.4%	-

2 Financial Sustainability

i. Coverages				
a. Total Borrowing / EBITDA	N/A	N/A	N/A	N/A
b. EBITDA / Finance Cost	N/A	N/A	N/A	N/A
ii. Capitalization				
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	0.0%	0.0%	0.0%	0.0%

REIT Manager Rating Scale				
An independent opinion on a REIT Manager's quality of investment and operations management.				
Scale	Definition			
RM1	Very high quality of investment and operations management.			
RM2++ RM2+ RM2	High quality of investment and operations management.			
RM3++ RM3+ RM3	Good quality of investment and operations management.			
RM4++ RM4+ RM4	Adequate quality of investment and operations management.			
RM5	Weak quality of investment and operations management.			
<p>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'.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
<p>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.</p>				

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

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

(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