



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-2024	RM 3+	-	Stable	Maintain	-
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 acknowledges TPL REIT Management Company Limited's (TPLRMC) adequate financial risk profile, supported by its adequate capital structure. The rating reflects the Company's well-experienced management team and strong governance framework, with a Board comprising seasoned professionals from diverse sectors. TPLRMC has launched its first hybrid Shariah- Compliant REIT Fund, "TPL REIT Fund I", which includes three key projects: Mangrove: Waterfront mid-rise community, represented by NMC Pvt. Ltd. One Hoshang: Luxury residences, represented by HKC Pvt. Ltd and Technology Park: Commercial office and business hotel, represented by TTZ Pvt. Ltd. The REIT Fund operates through an SPV structure, where each project is represented by a separate SPV. Pakistan's real estate sector in FY24 faced challenges from high interest rates, slow construction, and new budget regulations, including revised property tax and capital gains tax rates. The 2024-25 budget introduced tax rebates for LEED-certified green projects and developer credits for affordable housing. REITs benefit from tax-exempt dividends and reduced corporate tax rates. These reforms aim to drive growth, attract long-term investments, and promote sustainability. Going forward, the real estate landscape will be influenced by the lower expected interest rate trajectory. This evolving environment is likely to create favorable conditions for the commercial real estate market.

. The management also plans to revisit its portfolio by selling one of the REIT Fund's projects, Technology Park, to optimize returns. The REIT Fund achieved its first close at PKR 18.35bln, fully drawn by June 2024. The fund was successfully listed on the PSX main board in early 2024. During FY24, the Company increased its current investments in its subsidiary to PKR 1bln (from PKR 0.7bln) to secure a foreign investment deal.

During FY24 the top line of the Company plummeted by 40% to PKR 637mln (FY23: 1,052mln) on the back of lowered performance fee resultantly the Profit After Tax declined by 65.5% to PKR 125mln (FY23: PKR 364mln). The equity of the RMC stood at 1,489mln (FY23:~PKR 1,363mln) which is well above the minimum regulatory requirement.

TPLRMC's strategic initiatives, including portfolio repositioning and securing foreign investments, alongside the robust equity position, position the Company to navigate current market challenges effectively. However, the overall recovery of the real estate sector remains contingent on macroeconomic conditions and policy implementation.

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-24),Assessment Framework REIT Manager Rating(Oct-24)
Related Research	Sector Study Real Estate(Jun-24)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



Profile

Background TPL REIT Management Company Limited (TPL-RMC), incorporated in 2018, is a public limited company licensed by SECP to provide REIT management services under NBFC Rules, 2003 and REIT Regulations, 2015. TPL-RMC manages Pakistan's first Hybrid REIT, "TPL REIT Fund I".

Market Share Pakistan's real estate sector faced challenges in FY24, including high interest rates, slow construction progress, and new 2024-25 budget regulations (revised property taxes and capital gains tax), delaying sector recovery and reducing investor confidence. The 2024-25 budget also introduced tax rebates for LEED-certified green projects and developer credits for affordable housing. REITs benefit from tax-exempt dividends and reduced corporate tax rates. These reforms aim to drive growth, attract long-term investments, and promote sustainability. Going forward, real estate landscape will be influenced by the lower expected interest rate trajectory. This evolving environment is likely to create favorable conditions for the commercial real estate market. As of June 2024, the industry includes 29 RMCs with total assets of PKR ~14.45 billion (~0.3% of NBFC assets), up from 24 RMCs with PKR ~12.60 billion (~0.4%) in Dec'2023. TPL-RMC, licensed for REIT management, launched Pakistan's first hybrid Non-PPP REIT Fund, achieving a first close of PKR 18.35bn in three tranches, establishing its market presence.

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 80bn. 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, a technology conglomerate, has ventured into the real estate sector with projects like Centre Point. Through its real estate arm, TPL Properties Limited, the Group has expanded into Pakistan's REIT sector as a recent entrant. Its strategy emphasizes partnerships with industry experts for core business expertise, while contributing operational management and market insights.

Financial Strength TPL Corp, the holding company of TPL Group, invests in insurance, real estate, security, asset tracking, technology, IoT, digital mapping, and venture capital, with an equity base of ~PKR 805 million as of Jun'2024.

Governance

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

Members' Profile Mr. Ali Jameel, Non-Executive Director: CEO of TPL Corp Limited, a leading tech-driven conglomerate in Pakistan. He also holds directorial roles on the boards of various entities. Mr. Abdul Wahab Al Halabi, Non-Executive Director: With over 23 years of executive management experience, he is actively involved in the REIT industry in the region. Mr. Naveed Kamran Baloch, Independent Director: Renowned for his leadership and expertise in governance, economics, and finance. Mr. Imran Hussain, Independent Director: Served on multiple boards, including the World Union of German Shepherd Dog Organization and Australasia, and held advisory roles at Fiat S.P.A. and Union Carbide Pakistan Limited. Ms. Vanessa Eastham Fisk, Independent Director: Focuses on companies with a strong innovation or transformation agenda, spanning traditional and digital enterprises. Mr. Adnan Afaq, Independent Director: Brings over 30 years of experience in risk management, finance, operations support, and business management at leading financial institutions. Mr. Osman Asghar Khan, Independent Director: Has held key positions in finance and operations across local and international jurisdictions.

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.

Transparency The Company's external auditors, M/S KPMG Taseer Hadi & Co., hold an 'A' SBP Panel rating and a satisfactory QCR. Its internal audit department reports to the audit committee independently.

Management

Organizational Structure TPL-RMC has a structured organization with departments reporting to the CEO, including Finance, Risk, Legal, Compliance, Corporate Finance, Marketing, Human Resources, IT, and Admin.

Management Team The Company's management team is comprised of experienced and qualified professionals: Mr. Syed Jamal Baquar, CEO: Recently appointed to replace Mr. Ali Asghar, Mr. Baquar brings over 30 years of experience in business and finance across multiple markets, including Europe, the USA, and Pakistan. He has worked with leading international and domestic companies across diverse industries such as engineering, insurance, investments, banking, and finance. Mr. Imad Zahid Nagi, CFO: Possesses approximately 15 years of experience in the financial sector. Mr. Arsal Ayub, Head of Risk Management: Brings 10 years of expertise specializing in risk assessment and innovative product development in sectors 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 leverages third-party experts, including development advisors, valuers, and fund administrators, with management's real estate experience ensuring effective oversight.

Control Environment The Company has established legal and compliance departments. The department is headed by Mr. Sohail Kassamali, a seasoned professional with 17 years of experience. The department ensures compliance with all applicable statutory regulations and internal investment guidelines.

Investment Risk And Portfolio Management

Investment Risk Management The Company has an Investment Committee to evaluate opportunities per Information Memorandum guidelines. Investment risk is managed through milestone-based investor commitments, collaboration with renowned third-party partners, and vetting decisions via an independent Investment Committee. A risk management policy addresses operational, credit, and financial risks, and a Shariah Advisor ensures REIT compliance with Shariah rules.

Investment Decision Making 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 of experienced independent professionals to oversight. The members of the Investment Committee include Mr. Adnan Afaq and Mr. Abdul Wahab Al Halabi along with it, an advisory board has been formed at the foreign subsidiary level.

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.

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 18.35bn for its Hybrid Shariah-compliant REIT fund. During the period, the per unit NAV of REIT Fund decreased by ~8% and closed at PKR 17.87 per unit (FY23: 19.39 per unit).

Performance The topline of the Company has plummeted to PKR 636mln during FY24 (FY23: PKR 1,052mln). While the PAT has decreased to PKR ~126mln FY24 (FY23: PKR 364mln).

Financial Sustainability The current equity of the Company is standing at PKR 1,488mln as of end FY24 which is well above the minimum regulatory requirement.



The Pakistan Credit Rating Agency Limited

PKR mln

TPL REIT Management Limited
Public Limited

Jun-24
12M

Jun-23
12M

Jun-22
12M

Jun-21
12M

A BALANCE SHEET

1 Earning Assets	1,120	867	337	417
2 Non-Earning Assets	1,068	1,213	523	3
3 Total Assets	2,187	2,081	860	420
4 Total Borrowing	-	-	-	-
5 Other Liabilities	699	718	217	10
6 Total Liabilities	699	718	217	10
7 Shareholders' Equity	1,489	1,363	643	410

B INCOME STATEMENT

1 Investment Income	637	1,052	463	8
2 Operating Expenses	(398)	(493)	(129)	(1)
3 Net Investment Income	239	560	333	7
4 Other Income	-	-	4	7
5 Total Income	239	560	337	14
6 Other Expenses	(2)	(5)	(7)	-
7 Total Finance Cost	(0)	(0)	-	-
8 Profit Or (Loss) Before Taxation	236	554	331	14
9 Taxation	(111)	(190)	(98)	(1)
10 Profit After Tax	126	364	233	13

C RATIO ANALYSIS

1 Investment Performance

i. Investment Income / Average AUMs	N/A	N/A	N/A	N/A
ii. ROE	8.8%	36.3%	44.3%	5.8%
iii. ROA	5.9%	24.8%	36.4%	5.6%

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>	

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Conduct of Business

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- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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