



The Pakistan Credit Rating Agency Limited

## Rating Report

### Tariq Glass Industries Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Dec-2022	A+	A1	Stable	Maintain	-
24-Dec-2021	A+	A1	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Tariq Glass Industries Limited (the “Company” or “TGL”) ratings reflect well- reputed oligopolistic business profile and strong presence in the glass industry. TGL has built a formidable foothold of being a premier manufacturer of tableware, float glass, container-ware and opal glass in the Country and possesses the largest state-of-the-art manufacturing facilities. The Company intends to induce growth through their export segment as well by capitalization on international standard and upgraded production equipment. The float glass facilities can produce clear and coloured float glass, sandblasted glass tinted and reflective glass through an online CVD coating mechanism, and mirrors with spectrum technology. The company has expanded its footprints for manufacturing the opal glass dinnerware by installing the most modern manufactory which is the only plant in Pakistan. In float glass, the competition is duopoly and as per the TGL management representation they claim to have ~50% market share under the brand name of “Tariq Float Glass”. The Pakistan glass industry is directly linked with economic activity in the construction sector. The glass sector is mainly dominated by float glass followed by tableware & containers. Revival of the rehabilitation process after flooding and CPEC-related activities along with some expansionary fiscal and monetary policy is critical for the industry future growth. In tableware and opal glass, TGL has built a legacy over 4 decades and introduced famous brands like Toyo Nasic, Omroc, Nova, Rockware, Gemware and Spinrex. The tableware market is emerging more competitive however, the Company provides innovative, value-added products, tailored to the requirements for household and commercial sector with a market share of ~70%. In container-ware, TGL supplies to the beverage industry such as Coke, Pepsi along with other industrial consumers. Key pillars of business strategy include (a) quality and reliability of products (b) economies of scale. The top line of the Company has shown a growth of ~54.0% YoY. The robust growth in revenues is mainly attributable to the successful commercialization of the second Float Glass Plant, the benefits of which thrived resulting in economies of scale. Recently, TGL entered into Joint Venture (a green field and export-oriented project) with ICI Pakistan to explore the global export market of glass and link their future revenue streams in USD. The Company is taking cognizance of corporate governance structure with independent oversight and formulated board committees. The Company is led by experienced management team and operations of the Company benefited with sound system of internal controls implemented across organization. Financial profile is demonstrated by healthy coverages, upright working capital management and comfortable cashflows. The capital structure is moderately leveraged mainly comprising long term borrowings on concessionary rates (LTFF) to support capacity expansion and BMR.

The ratings are dependent on sustainable profits and market share while retaining sufficient cash flows and coverages. However, adherence to maintaining its debt metrics at an adequate level is a prerequisite.

#### Disclosure

<b>Name of Rated Entity</b>	Tariq Glass Industries Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Rating(Jun-22),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology   Rating Modifiers(Jun-22)
<b>Related Research</b>	Sector Study   Glass(Dec-21)
<b>Rating Analysts</b>	Muhammad Harris Ghaffar   harris.ghaffar@pacra.com   +92-42-35869504



Profile
<p><b>Legal Structure</b> Tariq Glass Industries Limited (hereinafter referred to as “the Company” or “TGL”) is a public listed company incorporated under the Companies Act 1913 (now “Companies Act, 2017”)</p> <p><b>Background</b> M/s Nasir Sadiq Corporation (Pakistan) Limited was incorporated in 1978 as a private limited company and went public in 1980 where listed on the exchange in year 1984. The company changed its name to Tariq Glass Industries Limited in 1996. With an operating history of ~38 years company emerged as the market leader in the glassware industry in Pakistan.</p> <p><b>Operations</b> The Company is engaged in the manufacturing and sale of tableware, float glass, container-ware and opal glass with accumulated glass pulled production capacity of 375,229 M.Ton per year. TGL’s production facilities are comprised of largest state of the art manufacturing facilities in Pakistan which are located at 33KM Lahore Sheikhpura Road, Sheikhpura, Punjab. Onsite mould workshops, all weather warehousing, international standard packaging, laboratory with latest equipment and eight colour decorating machines are just a few examples of the facilities that TGL offers to its valued customers. TGL produces its tableware products on single and double gob press machines as well as H-28 (press &amp; blow) and stretch machines. In Float Glass, TGL is working with two ultramodern plants that have quickly established recognition not only in Pakistan but also in the international markets. The float glass facilities can produce clear and coloured float glass, sandblasted glass tinted and reflective glass through an online CVD coating mechanism, and mirrors with spectrum technology. The company has expanded its footprints for manufacturing the opal glass dinnerware by installing the most modern manufactory which is the only plant in Pakistan.</p>
<p><b>Ownership</b></p> <p><b>Ownership Structure</b> Mr. Omer Baig is the sponsor director of the Company who beneficially owns ~57% shareholding. He owns ~45% shares directly in his name while ~11.8% shares are held through two associates (M/s Omer Glass Industries Limited &amp; M/s M&amp;M Glass (Private) Limited).</p> <p><b>Stability</b> Over the years, there has been no major change in the shareholding structure of the company. Shareholding is expected to remain with the sponsoring family.</p> <p><b>Business Acumen</b> Since the start of company, Mr. Omer Baig, current MD/CEO and son of Late Mr. Tariq Baig (the Founder), has been involved in the operations of the company and has a strong profile relating to the glass industry. He is a seasoned professional with more than three decade of professional experience. Under his leadership the Company achieved many milestones and became one of the top players in the industry.</p> <p><b>Financial Strength</b> As mentioned earlier, Mr. Omer Baig is the man at last mile and maintains a dominant position in the industry. Tariq Glass Industries Limited is the main business of the family. However, they don’t have any strategic stake in other companies.</p>
<p><b>Governance</b></p> <p><b>Board Structure</b> The overall control of the Company vests with seven members of the board of directors. Two are executive directors, including the Managing Director/CEO, while three are non-executive directors and the remaining two are independent directors.</p> <p><b>Members’ Profile</b> Four of the board members carry extensive experience of the Glass industry, while Mr. Mansoor Irfani is the chairman of board. Other board members are also thorough professionals and carry rich experiences of managing business affairs in different sectors. Tariq Glass frequently arranges different training courses for its executive directors.</p> <p><b>Board Effectiveness</b> The board has made two committees namely (i) Audit and (ii) HR Committee, which are chaired by independent directors. During the year, various board meetings were held. Attendance of board members in these meetings remained strong and the meeting minutes are documented adequately.</p> <p><b>Financial Transparency</b> The Company has its own internal audit function which reports directly to Audit Committee. The internal audit reports are frequently generated. Head of internal audit function reports directly to audit committee. The auditors of the company M/s Crowe Hussain Chaudhry &amp; Co. Chartered Accountants, issued an unqualified audit opinion on annual financial statements for FY22.</p>
<p><b>Management</b></p> <p><b>Organizational Structure</b> TGL has a lean organizational structure with an experienced management team; a balanced mix of professionals from the FMCG industry. Majority of the senior management is associated with the company for a long time. The organizational structure of the Company is divided into six functional departments, namely: (i) Internal Audit, (ii) Human Resource/ Administration, (iii) Sales, (iv) Operations, (v) Finance &amp; Accounts and (vi) Information Technology.</p> <p><b>Management Team</b> Role of Chairman and Managing Director/CEO has been segregated. Mr. Omer Baig, son of the founder Mr. Tariq Baig (Late) has taken up as Managing Director/CEO. He is assisted by a team of professionals. Mr. Waqar Ullah the CFO of the company is qualified Chartered Accountant.</p> <p><b>Effectiveness</b> Currently, the Company has formal board level committees and the management committees who provides direction and implementation guide to achieve the strategic organizational goals.</p> <p><b>MIS</b> TGL is currently equipped with latest SAP solution package i.e. SAP S/4 HANA in order to congregate the IT requirements.</p> <p><b>Control Environment</b> The corporate structure of the Company is diverged into various departments each having an effective Internal Control System to ensure achievement of overall strategic goals and reliable reporting. The departments are layered into various cadres of management to define clear lines of responsibilities and authorization, accompanied by a robust technological infrastructure for all its manufacturing and support functions. Different portals are being established to be used for customized management needs.</p>
<p><b>Business Risk</b></p> <p><b>Industry Dynamics</b> On a pro-rata basis as of June 22, the Pakistan glass industry has generated a revenue of PKR 64,207mln. The Pakistan glass industry is directly linked with economic activity in the construction sector. The glass sector is mainly dominated by float glass followed by tableware &amp; containers. Revival of the rehabilitation process after flooding and CPEC-related activities along with some expansionary fiscal and monetary policy is critical for the future growth of the industry.</p> <p><b>Relative Position</b> TGL has evolved to become one of the largest and leading suppliers and manufacturers of tableware, float glass, container-ware and opal glass in Pakistan. In the tableware category, management asserts to have 70% of the local market share. The company will maintain its leading position in tableware as the focus is on new articles, varieties and designs of tableware products. In the float glass category, apart from TGL, there is only one other producer, Ghani Glass Ltd., who shares an equal market as both companies have almost similar production capacities.</p> <p><b>Revenues</b> TGL derives its revenues predominantly from local sales (~92.1%) and ~ 7.9% from exports. During FY22, the top line of the Company has shown a growth of ~54.0% YoY. The robust growth in revenues is mainly attributable to the successful commercialization of the second Float Glass Plant with a capacity of 500 metric tons per day, the benefits of which thrived resulting in economies of scale.</p> <p><b>Margins</b> The margins of the Company improved from the last corresponding period mainly on the back of achieving an economy of scale through enhancement in volumetric sales. The Company has G.P margin of 26.3% (FY21: 21.5%). The net margin of the Company improved in FY22: 14.1% (FY21: 11.0%) due to a decline in finance cost-to-sales ratio.</p> <p><b>Sustainability</b> TGL entered into J.V (a green filed project) with ICI Pakistan and from a new entity Lucky TG (Pvt) Ltd to produce 1,000 tpd capacity float glass. This will further diversify their revenue streams and supplement the Company to explore the untapped global export market of glass. The project will be completed in two phases (each phase constitutes 500tpd). The timeline of the project is ~ 2 years. The management is vigilant and actively evaluate the future earnings prospects based on budgets and financial projections.</p>
<p><b>Financial Risk</b></p> <p><b>Working Capital</b> As the economy is in recession mainly on the back of recent flooding and inflationary pressure in Pakistan, this hinders economic activity and results in pile-up of inventory in the form of finished goods. The company’s gross working capital days have decreased to 95 days in 3MFY23 (FY22 59 days). Net working capital days also increased to 76 days in 3MFY23 (FY22: 43 days) translate into slightly stretched liquidity. This is a short-term impact and expected to nullify soon.</p> <p><b>Coverages</b> The Company generated FCFO of PKR~6,499mln during FY22 (FY21: PKR~3,536mln) increase is mainly contributed by a surge in sales. Interest coverage against FCFO has improved to a very comfortable figure of 22.4x (Jun 21: 12.2x). Going forward, sustenance of cash flows from operations is necessary to keep the coverages intact.</p> <p><b>Capitalization</b> The Company has a moderately leveraged capital structure as of FY-22 Debt to the capital ratio: of 29.8% (FY-21: 31.8%). The TGL has short-term borrowings of PKR 1,918mln during FY22 and PKR 3,070mln in 3MFY23 to manage working capital requirements. Furthermore, the Company will have a (Lucky TG (Pvt) Ltd) to produce a 1,000tpd float glass project</p>



Tariq Glass Industries Limited Infrastructure	Sep-22 3M	Jun-22 12M	Jun-21 12M	Jun-20 12M
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**A BALANCE SHEET**

1 Non-Current Assets	14,152	14,203	12,999	10,937
2 Investments	-	100	-	-
3 Related Party Exposure	-	-	-	-
4 Current Assets	9,749	8,697	5,778	6,270
a Inventories	5,540	4,221	2,473	2,964
b Trade Receivables	1,956	1,722	1,158	1,822
<b>5 Total Assets</b>	<b>23,902</b>	<b>23,000</b>	<b>18,777</b>	<b>17,207</b>
6 Current Liabilities	3,157	3,477	2,517	2,228
a Trade Payables	1,328	1,437	1,127	2,011
7 Borrowings	6,521	5,568	4,926	7,822
8 Related Party Exposure	-	-	11	146
9 Non-Current Liabilities	782	866	723	404
<b>10 Net Assets</b>	<b>13,442</b>	<b>13,088</b>	<b>10,600</b>	<b>6,607</b>
<b>11 Shareholders' Equity</b>	<b>13,442</b>	<b>13,088</b>	<b>10,600</b>	<b>6,607</b>

**B INCOME STATEMENT**

1 Sales	6,437	29,416	19,103	13,587
a Cost of Good Sold	(5,730)	(21,667)	(14,988)	(11,387)
<b>2 Gross Profit</b>	<b>706</b>	<b>7,749</b>	<b>4,115</b>	<b>2,200</b>
a Operating Expenses	(236)	(773)	(615)	(522)
<b>3 Operating Profit</b>	<b>471</b>	<b>6,975</b>	<b>3,500</b>	<b>1,678</b>
a Non Operating Income or (Expense)	9	(361)	(228)	(65)
<b>4 Profit or (Loss) before Interest and Tax</b>	<b>480</b>	<b>6,614</b>	<b>3,272</b>	<b>1,613</b>
a Total Finance Cost	(108)	(346)	(313)	(568)
b Taxation	(19)	(2,127)	(849)	(284)
<b>6 Net Income Or (Loss)</b>	<b>353</b>	<b>4,141</b>	<b>2,109</b>	<b>762</b>

**C CASH FLOW STATEMENT**

a Free Cash Flows from Operations (FCFO)	288	6,499	3,536	1,586
b Net Cash from Operating Activities before Working Capital Changes	194	6,212	3,105	1,095
c Changes in Working Capital	(1,556)	(2,653)	1,273	(418)
<b>1 Net Cash provided by Operating Activities</b>	<b>(1,362)</b>	<b>3,559</b>	<b>4,378</b>	<b>676</b>
<b>2 Net Cash (Used in) or Available From Investing Activities</b>	<b>(137)</b>	<b>(2,515)</b>	<b>(889)</b>	<b>(2,909)</b>
<b>3 Net Cash (Used in) or Available From Financing Activities</b>	<b>953</b>	<b>(1,049)</b>	<b>(2,902)</b>	<b>2,278</b>
<b>4 Net Cash generated or (Used) during the period</b>	<b>(546)</b>	<b>(5)</b>	<b>587</b>	<b>45</b>

**D RATIO ANALYSIS**

<b>1 Performance</b>				
a Sales Growth (for the period)	-12.5%	54.0%	40.6%	-5.6%
b Gross Profit Margin	11.0%	26.3%	21.5%	16.2%
c Net Profit Margin	5.5%	14.1%	11.0%	5.6%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	-19.7%	13.1%	25.2%	8.6%
e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sh	10.7%	35.0%	24.5%	12.0%
<b>2 Working Capital Management</b>				
a Gross Working Capital (Average Days)	95	59	80	115
b Net Working Capital (Average Days)	76	43	50	80
c Current Ratio (Current Assets / Current Liabilities)	3.1	2.5	2.3	2.8
<b>3 Coverages</b>				
a EBITDA / Finance Cost	8.9	28.6	14.0	3.9
b FCFO / Finance Cost+CMLTB+Excess STB	1.0	5.8	5.4	2.6
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	4.4	0.6	1.3	3.9
<b>4 Capital Structure</b>				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	32.7%	29.8%	31.8%	54.7%
b Interest or Markup Payable (Days)	99.0	105.3	73.0	122.6
c Entity Average Borrowing Rate	6.1%	5.2%	4.6%	8.1%

### 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.

Scale	Long-term Rating Definition
AAA	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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.
AA-	
A+	
A	<b>High credit quality.</b> 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.
A-	
BBB+	
BBB	<b>Good credit quality.</b> 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.
BBB-	
BB+	
BB	<b>Moderate risk.</b> 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.
BB-	
B+	
B	<b>High credit risk.</b> 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.
B-	
CCC	
CC	<b>Very high credit risk.</b> 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.
C	
D	Obligations are currently in default.

Scale	Short-term Rating 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 conditions.
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 surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s):

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

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### **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 | 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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