



The Pakistan Credit Rating Agency Limited

## Rating Report

### Pak Qatar Asset Management Company Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
11-Oct-2024	AM2	-	Stable	Maintain	-
11-Oct-2023	AM2	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Pak Qatar Asset Management Limited ("PQAMCL" or the "Company") is part of Pak Qatar Group which is the pioneer and the largest Takaful Group. The prominent business acumen of the sponsor bodes well for the rating. PQAMCL stands apart amongst the peers with a unique product suite complemented by a versatile Shariah structure. The assigned rating incorporates the group strength, strong business acumen, improved market penetration in retail segment and satisfactory fund performance during the period under review. The business strategy of the Company is primarily focused on enhanced retail penetration wherein Pak Qatar Family Takaful Limited (PQFTL) is playing a pivotal role as a sales and distribution agent of the Company. As of Jun'24, the retail and institutional mix of the Company stood at 72:28. At the end of Jun'24, the assets under management mounted significantly by ~1.6 times to PKR ~29.4bln (Jun'23: PKR 11.2bln) with a current market share of ~1% while the industry grew by ~67%. The PQAMCL holds ~2% market share in the Islamic AUMs industry as of Jun'24. This represents the evolving position of the Company amongst the peer group. The Company is managing four open-ended funds as part of its diversified product portfolio among these offerings. The Pak Qatar Islamic Income Fund represents ~37% of the total weightage in the Company's investment offerings followed by the Asset Allocation Fund having a weightage of ~35% as of Jun'24. The Fund performance of the PQAMCL remained above the benchmark. The Company is also managing a Separately Managed Account (SMA) discretionary portfolio amounting to PKR ~25bln as of Jun'24. Going forward, the SMA portfolio would be gradually shifting to CIS. In addition to this, the Company is also penetrating in the pension fund scheme through providing investment services to PQFTL on its pension fund management. This would strengthen the existing portfolio of the PQAMCL and also its revenue base. The Company has been focusing on retail penetration through the PQFTL distribution channel which has more than 100 branches in major cities across Pakistan. The digital platform is also being strengthened for better retail penetration and enhanced customer services.

On the financial side, the PQAMCL experienced positive growth during the period under review. During FY24, the Company's topline significantly increased by 55% standing at PKR 163mln (FY23: PKR 105mln). Moreover, the net profit during FY24 increased by ~72% to PKR 81mln (FY23: PKR 47mln). The Company's equity stood at PKR 458mln at the end Jun'24, comfortably exceeding the regulatory requirement.

The rating is dependent upon the Company's ability to sustain its market share and uphold strong investment processes. A sustained upward trend in fund performance along with consistent increase in market share will continue to have visible affirmation in the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Pak Qatar Asset Management Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-24),Assessment Framework   Asset Manager Rating(Jun-24)
<b>Related Research</b>	Sector Study   Asset Management Companies (AMCs)(Jun-24)
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# Asset Management Companies (AMCs)

## Profile

**Structure** Pak Qatar Asset Management Company Limited ("PQAMCL" or the "Company") was incorporated in Sep, 2021 as a public unlisted company.

**Background** Pak Qatar Asset Management is part of PAK Qatar Group. The Group comprises of Pak-Qatar Family Takaful Limited (PQFTL), Pak-Qatar General Takaful Limited (PQGTL), Pak-Qatar Investment Limited (PQIL) and Sharq Trading & Merchandising Limited. The Group has been operating in Pakistan since 2007 and has a rich and diverse experience of over 15 years in providing protection and investment solutions through Takaful.

**Market Share** The market share of the Company stood at ~1% at the end of Jun'24 (Jun'23: 0.7%).

**Diversification Of Fund Mix** The Company's diversified fund slate includes four open-ended funds. Except Pak Qatar Islamic Stock Fund, Pak Qatar Islamic Cash Fund, Pak Qatar Islamic Income Fund and Pak Qatar Islamic Asset Allocation Fund have been launched under plans structures to facilitate differentiated clientele.

**Investor Concentration** As of the end Jun'24, the average top ten investors concentration stood at ~96% while related party holdings was ~76% of total assets under management of the Company. Key element that mitigates concentration and related party exposure is the underlying maturity profile of constituting participants which granularize overall risk.

## Ownership

**Ownership Structure** The major shareholder of PQAMCL is the holding company Pak Qatar Investment (PVT) LTD which holds 52% of the stake and the remaining shareholders include FWU AG (20%), and Pak Qatar Family Takaful (5%). Mr. Owais Ansari and Mr. Kamran Saleem also hold 14% and 7% respectively.

**Business Acumen** The Sponsors of the PQAMCL are celebrated businessmen with many profitable ventures in their portfolio whose success is a testimony of the excellent business acumen of sponsors and their ability to form and execute business strategies.

**Financial Strength** Sponsors of the PQAMCL enjoys impenetrable financial strength, having all the financial muscles and intentions to support the Company in situation of distress which is evident through its ownership.

## Governance

**Board Structure** The Company's board of directors comprise five non-executive directors, one of them is also independent director.

**Members' Profile** The board members have strong educational backgrounds and carry extensive diversified experience. Mr. Gul is one of the key sponsors and the founding director of Pak-Qatar Group. Mr. M. Kamran Saleem has been associated with the Group since its formation in 2006 and has been instrumental in shaping the Group. Mr. M. Owais Ansari is the Deputy Chairman of FWU AG. Mr. Syed Asad is the board member of K-Electric Limited whereas, Mrs. Sameera Said is also the director of PQFTL & PQGTL.

**Board Effectiveness** To ensure its effectiveness, the board has formulated the audit, HR and remuneration committees and Risk Management committees.

**Transparency** The external auditors of the AMC are Yousaf Adil & Co. which has satisfactory QCR rating from the ICAP. The auditors of the Company are classified in the 'A' category of the State Bank of Pakistan panel of Auditors.

## Management

**Organizational Structure** The organizational structure aligns with the operations of the PQAMCL. The Company operates through twelve main departments which fall under the purview of the CEO.

**Management Team** The Company's management team consists of qualified and experienced professionals. The CEO, Mr. M. Farhan Shaukat is qualified FCA, PGD in Islamic Finance and have more than 23 years of experience.

**Technology Infrastructure** The PQAMCL had outsourced its back-office functions such as unit management, settlement and fund accounting to IT Minds Limited and has an in-house system as well.

**Control Environment** Internal Audit plan, approved by Audit Committee encompasses the review of internal control system which includes policies/procedures, physical safeguards and monitoring of compliance function pertaining to NBFC regulations. The compliance and risk functions are segregated and are overseen by dedicated resources.

## Investment Risk Management

**Credit Risk** Internal assessment modules are used with a combination of qualitative and quantitative analysis. Excel based credit risk scorecards are in place which provide statistical estimates for counter party credit risk. The fund managers ensure the credit portfolio of the fund exposed to credit risk is broadly diversified.

**Liquidity Profile** The risk management department vigilantly monitors the liquidity profile of funds under management. Sufficient liquidity is maintained by investing a significant portion of funds' assets in liquid investment avenues.

**Market Risk** For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The exposure limits are clearly communicated to portfolio managers along with periodic review of appropriateness of limit structure.

## Portfolio Management

**IC Composition** The investment committee comprises CEO, CIO, Fund Manager, and the Head of Research. Mr. Meraj Uddin Mazhar is the Chief Investment Officer. He has extensive experience of twelve years overall and with the PQAMCL experience of 2 years managing Equity, Fixed Income, discretionary, and non-discretionary portfolios.

**Effectiveness** The IC comprises of qualified and experienced professionals to review the investment strategy of each fund and its performance to incorporate impact of market circumstances on funds' performance. The IC for equity and fixed income is performed independently on monthly basis.

**Investment Research And Analysis** The research is made under three levels 1) Econometric 2) Sector and 3) Entity. While different research models are used for sectors and entities. The department uses various techniques including the fundamental analysis of key sectors and stocks to identify attractive investment avenues. For equity valuation, standard financial models are used and broker researches are also considered.

## Customer Relationship

**Investor Services** The Investor Services Department provides investor education, personalized solutions, and client reporting. Retail customer outreach is expected to be enhanced by allowing investments in PQAMCL's mutual funds through the CDC. The Company also launched its Mobile App to facilitate the retail customers.

**Investor Reporting** In addition to publishing fund manager reports on monthly basis, the PQAMCL also disseminates unit holder statement every month through email which comprises net asset value and month end closing values.

**Distribution And Sales Network** The PQAMCL is utilizing the 100% branch network of the PAK Qatar Family Takaful which has more than 100 branches in major cities across Pakistan. The Company has segregated the Marketing & Distribution function in two segments, where retail segment will be managed through the distribution channel of Pak Qatar Family Takaful Ltd. (PQFTL), and corporate segment will be directly looked after by the PQAMCL through corporate sales team.

## Performance

**Asset Under Management** The AUMs stood at PKR ~29.4bln as at Jun'24 and at the end of Jun'23, it stood at PKR ~11.2bln. The Company is also managing a Separately Managed Account (SMA) discretionary portfolio of PKR 25bln as of Jun'24. The fund performance of the PQAMCL remained above the benchmark.

**Asset Manager** The Company earned a net profit after tax of ~PKR 81mln during FY24 (FY23: ~PKR 47mln). The Company earned topline ~PKR 163mln (FY23: PKR 105mln). Operating profit at end-FY24 stood at ~PKR 113mln (FY23: PKR 71mln). The equity of the Company stood at ~PKR 458mln at end-FY24 (FY23: ~PKR 337mln).

**Fund's Performance | Pak Qatar Asset Management Limited**

Sr. No.	Fund Name	Category	Weightage	AUMs (PKR' min)				Return   FYTD (Jun'23 to Jun'24)		Jun'23 to Jun'24
				Jun'24	Mar'24	Dec'23	Jun-23	Return	Bench.	
				1	Pak Qatar Income Plan	Shariah Compliant Income	30.0%	8,709	6,983	6,677
2	Pak Qatar Cash Plan	Shariah Compliant Money Market	14.5%	4,198	4,053	2,856	2,866	22.1%	10.3%	11.8%
3	Pak Qatar Daily Dividend Fund	Shariah Compliant Money Market	10.7%	3,120	2,444	4,192	2,158	22.1%	10.3%	11.8%
4	Pak Qatar Islamic Stock Fund	Shariah Compliant Equity	2.7%	787	685	690	542	74.7%	78.7%	-4.0%
5	Pak Qatar Khalis Bachat Plan	Shariah Compliant Income	1.5%	442	431	388	313	21.8%	10.1%	11.7%
6	Pak Qatar Monthly Income Plan	Shariah Compliant Income	4.1%	1,190	861	699	344	22.5%	10.1%	12.4%
7	Pak Qatar Asan Munafa Plan	Shariah Compliant Money Market	1.0%	303	206	194	204	20.9%	10.3%	10.6%
8	Pak Qatar Asset Allocation Plan I (Launch Date: Aug'23)	Shariah Compliant Asset Allocation	13.9%	4,045	3,620	2,579	-			0.0%
9	Pak Qatar Asset Allocation Plan II (Launch Date: Aug'23)	Shariah Compliant Asset Allocation	21.5%	6,240	4,071	1,854	-			0.0%
<b>Sum/Average:</b>			<b>100%</b>	<b>29,034</b>	<b>23,354</b>	<b>20,129</b>	<b>11,191</b>		8.1%	<b>-8.1%</b>

### Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

Scale	Definition
AM1	<b>Very high quality.</b> Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	<b>High quality.</b> Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	<b>Good quality.</b> Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	<b>Adequate quality.</b> Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	<b>Weak.</b> Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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</p>	<p><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**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.

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- 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

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- (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).
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- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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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)

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