



The Pakistan Credit Rating Agency Limited

## Rating Report

### Zameen REIT Management Company Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
29-Nov-2024	RM 2	-	Stable	Maintain	Yes
30-Nov-2023	RM 2	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The assigned rating for Zameen REIT Management Company Limited ("Zameen RMC" or the "Company") reflects the presence of an experienced management team and an emerging brand name in real estate development. Zameen RMC is the wholly-owned subsidiary of Zameen Developments (Private) Limited which is the associated company of Zameen Media (Private) Limited ("Zameen Media"). Zameen Media originally focused on the classifieds sector but expanded into developmental activities in 2017 through its associated company, Zameen Developments. This strategic backward integration strengthens its group structure, as Zameen Media and its affiliated companies now operate in both the classifieds and development sectors in Pakistan. The rating is also supported by the backing of ZTech Holdings Limited (ZTech"), the holding company. ZTech is the associated company of Dubizzle Group Holdings Limited. Pakistan's real estate sector faces challenges in FY24, with property values adjusting amid high interest rates and slow progress in construction projects, some of which are on hold. The 2024-25 budget introduced new regulations, including revised property tax rates and changes to capital gains tax, aimed at expanding the tax base and revenue, potentially delaying the sector's recovery. While these hurdles persist, they also create opportunities for market stabilization. The plummeting inflationary pressures and monetary easing may create liquidity for new investments. Zameen RMC had also planned to launch its developmental REIT Fund but postponed the initiative due to new tax implications on property transfers to REIT funds, leading to the withdrawal of the fund's rating. Moving forward, the Company intends to introduce new development REITs in the near future.

The rating watch is capturing the withdrawal of the existing REIT Scheme. The assigned rating is largely contingent upon the Company's ability to successfully launch the upcoming REIT projects. The completion of the projects will be imperative for maintaining this rating.

#### Disclosure

<b>Name of Rated Entity</b>	Zameen REIT Management Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	REIT Manager Rating Rating
<b>Applicable Criteria</b>	Assessment Framework   REIT Manager Rating(Oct-23),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Real Estate(Jun-24)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504

## Profile

**Background** Zameen REIT Management Company Limited ("Zameen RMC" or the "Company") was incorporated on 1st Mar 2023 as a private limited company under the Companies Act, 2017. The Company was licensed on 16th May 2023 by SECP to carry out REIT Management Services as a Non- Banking Finance Company (NBFC). The Company was in the process of launching its developmental REIT Fund but was not launched due to the recently passed Finance Act 2024.

**Market Share** As of March '24, ~25 RMCs (REIT Management Companies) are registered with the SECP, with total assets amounting to PKR~14.6bln (~0.4% of total assets of NBFCs) (Dec'23: ~24 RMCs with PKR~12.6bln in assets or ~0.4% of NBFCs' total assets). Zameen RMC is one of the companies licensed to undertake REIT management services and is in the process of launching its new developmental REIT funds.

**Fund Mix** Zameen RMC was in the process of launching the REIT scheme "Zameen Five REIT" which was not launched due to the recently passed Finance Act 2024. Furthermore, Zameen RMC is set to introduce new developmental REIT Funds in the near future.

## Ownership

**Ownership Structure** Zameen RMC is the subsidiary of Zameen Developments (Private) Limited which ultimately falls under the umbrella of ZTech. Pakistan is a successful business venture of local and international investors. Zameen is backed by ZTech. ZTech is operating customized international classifieds portals primarily in emerging markets across the Middle East and North Africa (MENA), South Asia, and Southeast Asia regions under the brand names Bayut, OLX, and Lamudi. Zeeshan Ali Khan is the CEO of Zameen Media (trading as Zameen.com) while Imran Ali Khan is the CEO of Dubizzle Group Holdings Limited.

**Stability** Zameen Development's ownership structure is considered to be stable as the majority stake rests with ZTech. However, man of last mile is unidentifiable.

**Business Acumen** In the construction industry in Pakistan, ZTech is the only one that provides 360 solutions to the construction industry because it provides the designing, procurement, development, and best marketing services under one roof. Its strategy for new ventures has centered on building partnerships with industry players engaged in the construction business, whereas Zameen provides operational management and market knowledge.

**Financial Strength** ZTech Holdings Limited, the holding company, owns and operates bespoke classifieds portals in emerging markets, primarily in the MENA, South Asia, and Southeast Asia regions. and owns strong brand names like Bayut, Zameen.com, OLX, and Lamudi. The group wealth of the Company is \$ 1.5bln.

## Governance

**Board Structure** The Board of Zameen REIT Management Company Limited comprises of seven experienced professionals, including Mr. Adil Ahmad Kamal (CEO). Mr. Zeeshan Ali Khan serves as the Chairperson while Ms. Mariam Saleem Akbar, Ms. Maryam Haq, and Mr. Tanzain Shafqat are Non-executive Directors. Mr. Sadiq Ali and Mr. Kamran Nasir are Independent Directors.

**Members' Profile** Mr. Zeeshan Ali Khan, Chairperson of Zameen RMC and ZTech's Board member, is a co-founder of various companies such as: ZTech, Dubizzle Group and Zameen Media and has extensive experience in building successful businesses. The Board collectively brings over 10 years of expertise in law, corporate affairs, investment banking, Real Estate and risk analysis.

**Board Effectiveness** The Board of the Company has the overall responsibility for the establishment and oversight of the risk management framework. To ensure effective governance, the Board has formed six committees, namely, (i) Audit & Risk Committee (ii) Investment Oversight Committee (iii) Legal & Compliance Committee (iv) Procurement & Operations Committee, and (v) Investment Committee.

**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** Zameen RMC has a multi-tier functional organization structure, consisting of the following departments, i) Investments, ii) Marketing, iii) Operations, iv) Legal, v) Finance, vi) Enterprise Risk Management, vii) Internal Audit, viii) IT, and ix) Human Resource. Heads of the above-listed departments, except the Internal Audit department, report directly to the CEO. The head of the Internal Audit department reports directly to the audit committee.

**Management Team** The Company's management team comprises seasoned professionals. Mr. Adil Ahmed Kamal, CEO of Zameen RMC, has over 10 years of experience in real estate and business, successfully structuring numerous project deals. Mr. Adil Javaid, CFO, is a CPA and Simon Fraser University graduate with over 10 years of financial expertise.

**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 developed an in-house setup for providing services like structural designing, and project development. The management's experience in real estate has equipped it to effectively oversee all those areas which has enabled them to eliminate the reliance on third-party

**Control Environment** The Company has established legal and compliance departments. The department is headed by Fariha Naveed Head of Legal & Company Secretary. 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 an Investment Committee to evaluate investment opportunities as per investment guidelines stipulated in the IM. The investment risk is being managed by overseeing activities such as (i) project completion by following a milestone-based schedule (ii) ensuring compliance with investment policy and (iii) getting its decision vetted by Investment Committee. Risk management policy is in place which covers operational, credit and financial risks.

**Investment Decision Making** As per international best practices, Zameen RMC has established an Investment Committee, comprising of experienced independent professionals to oversee and approve investment decisions as per the investment criteria mentioned in the Information Memorandum.

**Investment Research & Analysis** The Research and Feasibility department is responsible for monitoring the real estate value, market position, and changes in the economic and regulatory environment that may impact the operations and performance of the Zameen RMC. Mr. Usama Liaquat is heading the department. He has 12+ years of diverse experience in the finance industry. Along with it, an Investment Oversight Committee has been formed to set out the strategic direction-making.

## Customer Relationship

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

**Investor Reporting** The Company has established a robust investor reporting mechanism, providing customers with monthly account statements detailing their due amounts. Additionally, the Company offers tools such as live construction calculators, home loan calculators, area unit converters, and access to land records for enhanced convenience.

**Distribution & Sales Network** Currently, the Company is operating through its head office based in Lahore. Zameen.com founded in 2006, is Pakistan's largest online real estate portal connecting buyers with sellers within & outside the country. The Company has the biggest sales network in the real estate sector in Pakistan.

## Investment Performance

**REIT Funds Under Management** Zameen REIT Management Company Limited was in the process of launching the REIT scheme "Zameen Five REIT" which was not launched due to the recently passed Finance Act 2024. Furthermore, Zameen RMC is set to introduce new REIT Funds soon.

**Performance** Zameen RMC has reported a net loss after tax amounting to PKR 2.8mln during FY24 (FY23: Loss of PKR 6.4mln). The loss is made mainly on account of admin expenses incurred during the period. The Company's equity was reported at PKR 40.7mln as of end Jun'24 (FY23: PKR 43.5mln).

**Financial Sustainability** ZTech Holdings Limited, the holding company, owns and operates bespoke classifieds portals in emerging markets, primarily in the MENA, South Asia, and Southeast Asia regions and owns strong brand names like Bayut, Zameen.com, OLX, and Lamudi.



**The Pakistan Credit Rating Agency Limited**

**Zameen REIT Management Company Limited  
Private Limited**

**Jun-24  
12M**

**Jun-23  
12M**

**A BALANCE SHEET**

1 Earning Assets	30	73
2 Non-Earning Assets	18	0
<b>3 Total Assets</b>	<b>47</b>	<b>73</b>
4 Total Borrowing	0	25
5 Other Liabilities	6	4
<b>6 Total Liabilities</b>	<b>7</b>	<b>29</b>
<b>7 Shareholders' Equity</b>	<b>41</b>	<b>44</b>

**B INCOME STATEMENT**

1 Investment Income	0	-
2 Operating Expenses	(3)	(6)
<b>3 Net Investment Income</b>	<b>(3)</b>	<b>(6)</b>
4 Other Income	(0)	-
5 Total Income	(3)	(6)
6 Other Expenses	-	-
7 Total Finance Cost	(0)	(0)
<b>8 Profit Or (Loss) Before Taxation</b>	<b>(3)</b>	<b>(6)</b>
9 Taxation	-	-
<b>10 Profit After Tax</b>	<b>(3)</b>	<b>(6)</b>

**C RATIO ANALYSIS**

**1 Investment Performance**

i. Investment Income / Average AUMs	N/A	N/A
ii. ROE	-6.7%	-14.8%
iii. ROA	-4.7%	-8.9%

**2 Financial Sustainability**

i. Coverages		
a. Total Borrowing / EBITDA	N/A	N/A
b. EBITDA / Finance Cost	N/A	N/A
ii. Capitalization		
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	0.8%	36.8%

REIT Manager Rating Scale				
An independent opinion on a REIT Manager's quality of investment and operations management.				
Scale	Definition			
<b>RM1</b>	<b>Very high</b> quality of investment and operations management.			
<b>RM2++</b> <b>RM2+</b> <b>RM2</b>	<b>High</b> quality of investment and operations management.			
<b>RM3++</b> <b>RM3+</b> <b>RM3</b>	<b>Good</b> quality of investment and operations management.			
<b>RM4++</b> <b>RM4+</b> <b>RM4</b>	<b>Adequate</b> quality of investment and operations management.			
<b>RM5</b>	<b>Weak</b> quality of investment and operations management.			
<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 respective opinion.</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>
<p><b>Surveillance.</b> 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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(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)

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- 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

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- (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)

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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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- (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)
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- (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)
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- (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)

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