



The Pakistan Credit Rating Agency Limited

Rating Report

IMM REIT Management Company Limited

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
20-Dec-2023	RM 3	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating for IMM REIT Management Company Limited ("IMM RMC") reflects the presence of an experienced management team. IMM RMC is owned by i) Mascon Private Limited, ii) Mr. Sheraz Jehangir Monnoo, and iii) Mr. Khizar Ayub Izhar. Mascon Pvt. Ltd. has set its sights on making a mark in the Real Estate Sector coupled with Master Group’s vast experience in various industries across the country. Monnoo Group owns 12 Textile units, Agricultural Farms, and extensive research units catering to various agricultural products. Operating within the Real Estate, Construction, and Technology sectors, the Izhar Group of Industries has solidified its position as a leading construction entity in Pakistan. With a robust track record of excellence, Izhar Group has successfully executed numerous significant construction projects. Some noteworthy achievements in the real estate sector include the successful completion of projects such as i) Dream Gardens Lahore, ii) Dream Gardens Multan, iii) Dream Avenue Lahore, and iv) Mannan Town Faisalabad. IMM REIT Management Company Limited (IMM RMC) is currently in the process of launching its first non-PPP Real Estate Investment Trust (REIT) scheme named "IMM Project One Developmental REIT Scheme" with an expected launch in the first quarter of 2024. The fund size subject to land acquisition strategy will range between PKR 3-7bln. A strategic partner Mr. Mazhar Iqbal would hold 50% of the units while the remaining would be collectively held by Master Textile Mills Ltd (a sister concern of Mascon Pvt Ltd), Mr. Sheraz Jehangir Monnoo, and Mr. Khizar Ayub Izhar. The acquisition of land for "IMM Project One (Pvt) Ltd (hereinafter referred to as Special Purpose Vehicle (SPV))" is currently underway in several phases. Out of the total land area of ~790 acres for the project, around ~421 acres would be acquired through a cash outlay. While ~369 acres would be obtained by issuing files against the developed land as consideration to the respective land owners. The Special Purpose Vehicle (SPV) designated for this project has successfully acquired ~143 acres (out of 421 acres). As per management representations, the acquisition of ~278 acres (out of 421 acres) from cash is expected to be completed by the end of May 2026. This financial structure, combining land and equity contributions, lays the foundation for the successful launch of IMM Project One. This phased approach to land acquisition ensures a strategic and efficient process for the development of "IMM Project One." The dedicated special purpose vehicle (SPV) structure for the project would enhance transparency and delineate responsibilities. The assigned rating takes into account the Company's notable competence in strategic project selection and its thorough approach to risk management practices.

Going forward, the successful completion of the REIT Projects will remain imperative to rating.

Disclosure	
Name of Rated Entity	IMM 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 IMM REIT Management Company Limited (“IMM RMC” or the “Company”) was incorporated on 9th May 2022 as a public limited company under the Companies Act, 2017. The Company was licensed on 13th July 2022 by SECP to carry out REIT Management Services as a NBFC. The Company is working towards the launch of its first REIT Fund, which will invest in the acquisition of land as well as the development of real estate assets.

Market Share Currently, the industry size comprises 20 RMCs registered under SECP, with total assets amounting to PKR ~9.0bln (~0.3% of total assets of the NBFCs in the country) (Dec’22: ~16 RMCs with PKR ~8.9bln in assets and forming ~0.3% of NBFCs’ total assets).

Fund Mix IMM REIT Management Company Limited (IMM RMC) is currently in the process of launching its first non-PPP Real Estate Investment Trust (REIT) scheme named “IMM Project One Developmental REIT Scheme” with an expected launch in first quarter 2024. The fund size is, subject to land acquisition strategy will range between PKR 3 – 7bln. A strategic partner Mr. Mazhar Iqbal would hold 50% of the units while the remaining would be collectively provided by Master Textile Mills Ltd, Mr. Sheraz Jehangir Monnoo, and Mr. Khizar Ayub Izhar. The acquisition of land for project is currently underway in several phases. Out of the total land area of ~790 acres for the project, around ~421 acres would be acquired through a cash outlay. While ~369 acres would be obtained by issuing files against the developed land as consideration to the respective land owners. The Special Purpose Vehicle (SPV) designated for this project, “IMM Project One (Pvt) Limited,” has successfully acquired ~143 acres (out of 421 acres). As per management, the acquisition of ~278 acres (out of 421 acres) from cash is expected to be completed by the end May-26.

Ownership

Ownership Structure The majority of IMM REIT Management Company Limited’s ownership resides with the Master Group through Mascon Private Limited a subsidiary Company of Master Group of Companies by holding ~50% shares of RMC. The remaining ~50% shares of the Company are held by i) Mr. Sheraz Jehangir Monnoo and ii) Mr. Khizar Ayub Izhar holding 25% shares each.

Stability IMM RMC ownership structure is considered to be stable as the Company is owned by Master group, Monnoo group and Izhar group.

Business Acumen The Master Group, anchored by its flagship brand Master Moly foam has a distinguished history of nearly 70 years. Operating within the Real Estate, Construction, and Technology sectors, the Izhar Group of Industries has solidified its position as a leading construction entity in Pakistan. With a robust track record of excellence, Izhar Group has successfully executed numerous significant construction projects. Monnoo Group owns 12 textile units, agricultural farms and extensive research units. Izhar and Monnoo groups have established themselves in the real estate sector under its joint venture Izhar-Monnoo developers.

Financial Strength The financial strength of the sponsors remains strong due to their diversified investment portfolios.

Governance

Board Structure The board of directors (BoD) of IMM RMC comprises six professionals including the CEO. While Mr. Shahzad Malik and Mr. Khizar Ayub Izhar are serving as the non-executive director at IMM RMC. There are two independent directors on the BoD, and Chairman, Mr. Sheraz Monnoo non-executive director.

Members' Profile Sheraz J. Monnoo of the notable Monnoo Group, is the Chief Operating Officer (COO) of Izhar Monnoo Developers (IMD). Over a span of decade, his strong relationships with stakeholder bodies and his commitment to deliver the highest standard of workmanship has helped IMD turn into the most trusted name in the real estate sector. Mr. Khizar Ayub Izhar is a qualified Chartered Accountant from A. F. Ferguson & CO., Chartered Accountants and a member firm of the PwC network. His extensive experience of successful project handling has helped IMD achieve the set targets and grow at rapid rates. Mr. Shahzad Malik is the Managing Director of Master Group of Industries (MGI), and oversees the foam division of MGI and is responsible for the groups investments in the energy sector.

Board Effectiveness To ensure effective governance, the Board has formed four committees, namely, (i) Audit Committee (ii) Human Resource and Remuneration Committee (iii) Risk Management Committee and (iv) Investment Committee.

Transparency The external auditors of the Company are M/s Aamir Salman Rizwan chartered accountant. They have a satisfactory QCR rating. The Company has an in-house internal audit department that reports independently to the audit committee.

Management

Organizational Structure IMM REIT Management Company Limited has a multi-tier functional organization structure, consisting of the following departments, i) Finance, ii) Risk management & compliance, iii) IT, iv) Investments, v) Property Management, vi) Administration, and viii) Internal Audit. 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 management team of the Company comprises experienced and qualified professionals. Mr. Rumman A. Dar is the CEO of the Company since Feb 22. He holds Over 20 years of experience in investments, project development, operational management, policy development, and management consultancy.

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

Oversight Of Third-Party Service Providers 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 Risk management & compliance. 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 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, IMM 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.

Investment Research & Analysis The Investments and Property Management 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 IMM RMC. Mr. Umar Paracha is heading the department. He has 10+ years of diverse experience in the finance industry. Along with it, an Investment Committee has been formed to set out the strategic direction.

Customer Relationship

Investor Services IMM REIT Management Company Limited 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 is in process of establishment.

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

Investment Performance

REIT Funds Under Management IMM RMC is in the process of launching non – PPP Developmental REIT scheme “IMM Project One Developmental REIT Scheme” which is expected to launch in first quarter 2024. The fund size is targeted at ~between PKR 3 - PKR 7bln. The funds raised from the Fund are invested in the project namely: i) IMM Project One (Pvt.) Ltd.

Performance IMM REIT Management Company Limited has reported a net loss after tax amounting to PKR (5.545)mln during FY23 (FY22: Loss of (0.851)mln). The loss is made mainly on account of admin expenses incurred during the period. The Company will earn mainly on account of the REIT Scheme Fund’s management fee (0.25% of the initial fund size) and performance fee (1% of Net Profit of the REIT Scheme) as per the REIT Regulations, 2022.

Financial Sustainability The Company has zero leveraged capitalization structure and is 100% equity financed by the parent Company which also shows the parent Company’s commitment in case of financial needs.



The Pakistan Credit Rating Agency Limited

IMM REIT Management Company Limited
Public Limited

	Jun-23	Jun-22
	12M	12M
	Audited	Audited

A BALANCE SHEET

1 Earning Assets	44.65	49.57
2 Non-Earning Assets	0.35	0.46
3 Total Assets	45.01	50.03
4 Total Borrowing	-	0.77
5 Other Liabilities	1.40	0.11
6 Total Liabilities	1.40	0.88
7 Shareholders' Equity	43.60	49.15

B INCOME STATEMENT

1 Investment Income	6.87	0.53
2 Operating Expenses	(11.51)	(1.38)
3 Net Investment Income	(4.63)	(0.85)
4 Other Income	-	-
5 Total Income	(4.63)	(0.85)
6 Other Expenses	-	-
7 Total Finance Cost	(0.09)	-
8 Profit Or (Loss) Before Taxation	(4.72)	(0.85)
9 Taxation	(0.82)	-
10 Profit After Tax	(5.54)	(0.85)

C RATIO ANALYSIS

1 Investment Performance

i. Investment Income / Average AUMs	N/A	N/A
ii. ROE	-12.9%	-2.0%
iii. ROA	-12.6%	-2.0%

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)	0.0%	2.0%

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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- 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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- (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)
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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

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