



The Pakistan Credit Rating Agency Limited

## Rating Report

**TPL Properties Limited | PPTFC | PKR 1.575bln | Dec 23**

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### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
19-Aug-2024	A+	A1	Stable	Maintain	-
19-Feb-2024	A+	A1	Stable	Initial	-
23-Oct-2023	A+	A1	Stable	Preliminary	-

### Rating Rationale and Key Rating Drivers

TPL Properties Ltd (TPL Properties or the Company) has significant presence in Real estate sector for more than a decade. The sponsors have sound understanding of the local real estate sector with notable presence after the successful delivery of their first project “Centrepoin”. Following the re-strategizing of the business model, TPL is now effectively a holding company. TPL Properties current structure consists of investments mainly held in TPL REIT Fund I, which is managed by TPL REIT Management Company limited and the projects are being developed by TPL Developments (Pvt) Limited. Both the companies are wholly owned subsidiaries of TPL Properties. The Company has previously realized substantial capital gains on property that were purchased and transferred to TPL REIT Fund I. Regarding the progress of the projects within TPL REIT Fund I, TPL Developments have initiated the construction on One Hoshang with major structural work under progress. Moreover, detailed master planning for Mangrove project is complete while detailed design of independent buildings is under progress. The management is committed towards meeting the construction deadlines of the projects as planned with high priority towards One Hoshang. Going forward, TPL Properties will receive income from various avenues including dividends from the REIT Fund I and the RMC. The local real estate sector is expected to witness some relief as political and economic uncertainty settles down during CY24. This will in turn be fruitful for the group as their projects will attract investment. The financial risk profile remains adequate with leveraging of the Company reported at 18.5% as on Mar 2024.

The construction progress of the projects as planned remains crucial. Furthermore, the ratings are dependent on the management’s ability and the sponsors support to assist the Company in managing its cashflows till income is received in the form of dividends from its strategic investments.

### Disclosure

<b>Name of Rated Entity</b>	TPL Properties Limited   PPTFC   PKR 1.575bln   Dec 23
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Debt Instrument Rating
<b>Applicable Criteria</b>	Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Debt Instrument Rating(Dec-23),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Real Estate(Jun-24)
<b>Rating Analysts</b>	Hashim Yazdani   hashim.yazdani@pacra.com   +92-42-35869504

## Issuer Profile

**Profile** TPL Properties Limited (TPL Properties) was incorporated in Pakistan as a private listed company on February 14 2007. Subsequently in 2016, the Company changed its status from a private limited company to a public company and was listed on the Pakistan Stock Exchange Limited. The Company completed its first project "Centrepoint" in 2013 which was a dedicated office development project. The Company established TPL REIT Management Company which launched the largest REIT, TPL REIT Fund I at PKR 18bn in 2022. The principal activity of the company is to invest, purchase, develop and build real estate and to sell, rent out or otherwise dispose of in any manner the real estate including commercial and residential buildings, houses, shops, plots or other premises. Subsequent to the formation of TPL REIT Fund I, the Company transferred the three projects (One Hoshang, Mangrove, Technology Park) under the fund.

**Ownership** The majority of the stake is held by sponsors through Associated Companies (50.76%) including TPL Corp (39.26%) and Alpha Beta Capital Markets Pvt Limited (7.65%) and TPL Insurance (2.93%). Individual Sponsors, Directors, CEO and their family cumulatively hold 9.48% while General Public and other institutions hold approx. 39.76%.

**Governance** The overall control of the company vests in seven-member board of directors (BoD) including 4 Non Executive, 2 Independent and 1 Executive Directors. Mr. Jameel Yusuf is the Chairman of the board and is a businessman by profession. He holds the position of Chairman in other associated companies of the TPL Group. The remaining board members possess adequate skills and expertise in the fields relating to Real estate development, Venture capital, Investment Banking, Fund Management and Information Technology. The Company has two board committees – Audit and Human Resource & Remuneration – to comply with Code of Corporate Governance. Furthermore, the board conducts regular meetings when required with satisfactory presence of all members.

**Management** TPL Properties has a streamlined organizational structure. Each function is headed by an experienced resource. Mr. Ali Jameel spearheads the management operations. Mr. Jameel, a fellow member of Institute of Chartered Accountant from England & Wales (ICAEW), has been the key individual in conception and development of group companies. The management team comprises professionally qualified members having requisite experience. TPL Properties is working with seven key functions namely (i) Information Technology, (ii) Finance, (iii) External Relations & CSR, (iv) Marketing and Communication, (v) Human Resource, (vi) Operations and (vii) Project Management reporting to Chief Executive Officer.

**Business Risk** During 2023, the local real estate sector was impacted by the slowdown in the economic growth coupled with threats from inflation and recession. Construction in both the commercial and residential real estate sectors was slowed as a result of political uncertainty in the country. Although the sector witnessed some relief during the first half of 2024, however, the high pricing and wiped of purchasing power of consumer has led to a constraint demand in the country. The Company has developed a trust amongst the customers from the quality of its previous delivered project. Furthermore, with its REIT structure, the Company is also enticing investors towards the new market of developmental REITs. Going forward, the company has three projects in hand 1) One Hoshang - residential apartments, 2) Mangroves, 3) Technology Park. Construction work on HKC is in progress with structure being completed up till first floor slab. Furthermore, the management is planning for a soft launch of the project in the last quarter of FY24 after which the booking for the apartments would be started. The expected completion of the project is by 2026. Master plan for the Mangrove project is completed and approved. Technology Park project is put on hold and the management is considering the sale of the land.

**Financial Risk** TPL Properties' working capital requirement is mainly the function of payables, for which the company relies on internal cashflows. However, the Company has obtained short-term financing arrangements along with the issuance of a TFC of PKR 1,575mln for a period of 1 year to finance the construction of projects, which will mature on 28th December 2024. As on Mar'24, the Company's leveraging stood at 18.5%.

## Instrument Rating Considerations

**About The Instrument** TPLP has issued a rated, secured, privately placed, Medium Term, Term Finance Certificate, amounting PKR 1.575bn to finance the Company's working capital requirements and settlement of short term borrowing of the Company. The tenor is 12 months and carrying a profit rate of 3MK+200bps. Profit will be paid on quarterly basis and TFC will be redeemed in bullet at the expiry of Tenor. The Company has timely paid the first two quarterly interest payments.

**Relative Seniority/Subordination Of Instrument** The claim of the certificate holders will rank superior to the claim of ordinary shareholders.

**Credit Enhancement** The security structure is strengthened by i) Pledge of units of TPL REIT Fund I held by the Company with 30% margin; ii) Assignment of all Dividends from TPL RMC and TPL REIT Fund I; iii) Pari passu hypothecation charge over current assets of TPL Properties Limited and TPL RMC Limited covering the issue amount. Initially ranking charge will be created which will be upgraded to pari passu charge within 30 days from the date of the disbursement.



The Pakistan Credit Rating Agency Limited

Financial Summary  
PKR mln

TPL Properties Ltd Real Estate	Mar-24 9M	Jun-23 12M	Jun-22 12M	Jun-21 12M
<b>A BALANCE SHEET</b>				
1 Non-Current Assets	517	306	280	216
2 Investments	-	-	-	-
3 Related Party Exposure	14,821	16,196	9,429	4,619
4 Current Assets	551	1,622	2,809	2,666
a Inventories	-	-	-	-
b Trade Receivables	-	-	-	108
5 Total Assets	15,889	18,125	12,518	7,501
6 Current Liabilities	1,298	1,455	1,064	245
a Trade Payables	59	122	70	2
7 Borrowings	2,518	2,143	939	1,608
8 Related Party Exposure	187	800	-	2
9 Non-Current Liabilities	-	-	-	20
10 Net Assets	11,887	13,727	10,515	5,627
11 Shareholders' Equity	11,887	13,727	10,515	5,627
<b>B INCOME STATEMENT</b>				
1 Sales	-	5,286	5,919	284
a Cost of Good Sold	-	(43)	(7)	(9)
2 Gross Profit	-	5,244	5,912	275
a Operating Expenses	(321)	(978)	(950)	(564)
3 Operating Profit	(321)	4,265	4,962	(289)
a Non Operating Income or (Loss)	(970)	186	249	133
4 Profit or (Loss) before Interest and Tax	(1,291)	4,452	5,210	(156)
a Total Finance Cost	(435)	(161)	(333)	(425)
b Taxation	-	(20)	(1)	17
6 Net Income Or (Loss)	(1,727)	4,271	4,877	(564)
<b>C CASH FLOW STATEMENT</b>				
a Free Cash Flows from Operations (FCFO)	(269)	(798)	2,662	(171)
b Net Cash from Operating Activities before Working Capital Changes	(693)	(888)	2,725	(657)
c Changes in Working Capital	(673)	452	2,037	(222)
1 Net Cash provided by Operating Activities	(1,366)	(436)	4,762	(879)
2 Net Cash (Used in) or Available From Investing Activities	28	(26)	(4,410)	4,645
3 Net Cash (Used in) or Available From Financing Activities	262	163	(676)	(1,905)
4 Net Cash generated or (Used) during the period	(1,077)	(298)	(324)	1,861
<b>D RATIO ANALYSIS</b>				
<b>1 Performance</b>				
a Sales Growth (for the period)	N/A	-10.7%	1985.0%	-58.1%
b Gross Profit Margin	N/A	99.2%	99.9%	96.7%
c Net Profit Margin	N/A	80.8%	82.4%	-198.8%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	N/A	-6.5%	79.4%	-138.4%
e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity) ]	-18.0%	35.2%	60.4%	-9.4%
<b>2 Working Capital Management</b>				
a Gross Working Capital (Average Days)	N/A	N/A	7	147
b Net Working Capital (Average Days)	N/A	-7	4	94
c Current Ratio (Current Assets / Current Liabilities)	0.4	1.1	2.6	10.9
<b>3 Coverages</b>				
a EBITDA / Finance Cost	-0.6	-5.3	8.4	-0.5
b FCFO / Finance Cost+CMLTB+Excess STB	-0.1	-0.4	4.5	-0.2
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	-3.7	-3.0	0.4	-2.7
<b>4 Capital Structure</b>				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	18.5%	17.7%	8.2%	22.2%
b Interest or Markup Payable (Days)	63.3	231.4	48.1	37.0
c Entity Average Borrowing Rate	25.2%	12.1%	13.2%	14.2%

#	Notes
B 3a	Non operating Income or (Loss) contains unrealized loss on investment in REIT Fund I of PKR 1,264mln
A 4&6	Current Assets and Current Liabilities exclude impact of Related Party Exposure and hence excluded from Current Ratio calculation Certain amounts of Mar'24 have been annualized in Ratio Analysis for presentation purposes

### 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 | 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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## Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Trustee	Book Value of Total Assets (PKR)
Term Finance Certificate (TFC)	1,575mln	12 months	Secured	*Pledge of units of TPL REIT Fund I (unlisted) held by the Company with 30% margin; *Assignment of all Dividends from TPL RMC and TPL REIT Fund I; *Pari passu hypothecation charge over current assets of TPL Properties Limited and TPL RMC Limited covering the issue amount.	Pak Oman Investment Company Limited	15,890 mln

Name of Issuer	TPL Properties Limited
Issue Date	29 Dec 2023
Maturity	28 Dec 2024
Option	-

Due Date Principal*	Opening Principal	Principal Repayment*	Due Date Markup/ Profit*	Markup/Profit rate	3M Kibor Plus 200bps	Markup/Profit Payment	Installment Payable	Principal Outstanding
	PKR in mln				PKR in mln			
29-Dec-2023 (Issuance)	1,575	-	-	-	-	-	-	1,575
	1,575	-	29-Mar-24	3M KIBOR + 200bps	23.45%	91.82	91.82	1,575
	1,575	-	28-Jun-24	3M KIBOR + 200bps	23.99%	94.98	94.98	1,575
	1,575	-	29-Sep-24	3M KIBOR + 200bps	22.24%	88.01	88.01	1,575
28-Dec-24	1,575	1,575	28-Dec-24	3M KIBOR + 200bps	22.24%	88.01	1,663.01	-
		<b>1,575</b>				<b>362.82</b>	<b>1,937.82</b>	

Note: The Markup rate will be calculated using the base rate (3M KIBOR) which will be set for the first time on the disbursement date using the Base Rate of one business day prior to the drawdown and subsequently every three months thereafter utilizing the Base Rate prevalent one business day prior to the start of upcoming markup period.