The Pakistan Credit Rating Agency Limited

Rating Report

Pakistan Refinery Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
09-Jun-2022	A-	A2	Stable	Maintain	Yes
09-Jun-2021	A-	A2	Stable	Maintain	Yes
09-Jun-2020	A-	A2	Stable	Maintain	Yes
10-Dec-2019	A-	A2	Stable	Maintain	-
10-Jun-2019	A-	A2	Stable	Maintain	-
12-Dec-2018	A-	A2	Stable	Maintain	-
31-May-2018	A-	A2	Stable	Maintain	-
29-Jun-2017	A-	A2	Stable	Maintain	-
29-Jun-2016	A-	A2	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The association of Pakistan Refinery Limited's (PRL) with the state-owned petroleum corporation – Pakistan State Oil (PSO) has a favourable impact on its ratings. PRL possesses a notable share in meeting the economy's demand for petroleum products. Global recovery has been witnessed in the oil demand leading to higher volumetric sales coupled with higher pricing of petroleum products, leading to better GRMs and profitability margins for the local refinery sector. However, uncertainty still prevails with respect to oil supplies as a result of Russia-Ukraine conflict which could further impact the pricing dynamics. PRL's core business remains exposed to the vicissitudes in international crude and petroleum products' (POL) prices, which in turn, steer the gross refining margins (GRMs) of the Company. During the period ended March 31, 2022, the Company's sales have improved majorly on the back of increase in international oil prices and better volumes especially in petrol segments. PRL has managed to report the net profit of PKR 5.415mln (9MFY21: PKR 0.6215mln) on account of effective utilzation of crude mix, prudent inventory management, in addition to the better GRM industry wide, despite the upward revision in policy rate and decline in Pak Rupee against US Dollar. The working capital requirement of the Company have also increased considerably due to sharp increase in crude oil prices. PRL's margins, specifically impacted, due to non-installation of DHDS Unit needed to produce Euro-II compliant Diesel. The local refinery sector is going through some significant challenges pertaining to up-gradation of the refining complex. The company along with other refineries has been in continuous discussion with the government to finalize a sustainable refinery policy that would address the upgradation concerns along with certain fiscal and tariff concessions to the refining sector. However, no final approval has been granted by the government which is expected to get delayed further amid current political instability in the country.

The ratings are reflective of the resilient business profile of Pakistan Refinery Limited (PRL) emanating from its sustainable operational history and its strategic importance in the domestic context. The ratings are dependent upon PRL's ability to effectively shield its business profile from external vulnerabilities. Revived performance indicators and prudent financial matrix are imperative to uphold the ratings. Further financial risk profile of the Company is expected to improve as the company is projected to recover from the losses incurred previously during the lockdown period on account of sustainability in international oil prices and available demand drivers in the market. Further, the approval of proposed Refining Policy, which will enhance Refineries' ability to upgrade remains imperative for the ratings.

Disclosure

Name of Rated Entity	Pakistan Refinery Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Corporate Rating(Jun-21),Criteria | Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria | Rating Modifiers(Jun-21)
Related Research	Sector Study | Refineries(Nov-21)
Rating Analysts	Anam Waqas Ghayour | anam.waqas@pacra.com | +92-42-35869504

Profile

Legal Structure Pakistan Refinery Limited (PRL) is a Public Limited Company, incorporated in 1960. It is listed on Pakistan Stock Exchange.

Background The plant came into operations in October 1959. The designed capacity of the refinery was to process one million tons of crude oil annually. Additional capacity was added, subsequently in October 1962. PRL, since inception, has been one of the principal producers and suppliers of petroleum products in the market.

Operations PRL, a hydro skimming refinery, is designed to process imported and local crude oil to meet the strategic and domestic fuel requirements of the country. Major products of the company comprise: LPG, Motor Gasoline, Kerosene, Jet fuel (JP-1 & JP-8), HSD, Furnace Oil, Naptha. The customers of the refinery include all the major oil marketing companies, operating in the country. PRL's refinery is situated at Korangi, while it has a tank terminal to store products, at the Keamari Terminal. In addition, to these facilities, there is a network of pipelines connecting the refinery and the terminal to different supply point.

Ownership

Ownership Structure PRL is majorly owned by Pakistan State Oil (PSO). PSO recently acquired further shareholding, previously held by Shell Petroleum and Chevron Global Energy, increasing its ownership share to 64%.

Stability The business has been governed and administered by entities, which has a distinguished name in the oi sector. Thus, the stability factor is considered strong.

Business Acumen PRL's sponsors have strong business skills, which has helped the company to achieve sustainable success over a considerable period of time. Sponsors, particularly now with PSO on board, have industry-specific working knowledge and strategic thinking capability.

Financial Strength The company's sponsors have the ability and the willingness to support the entity on a continuing basis, and in times of crises. The sovereign support of the government in the shape of PSO, has further enhance this notion.

Governance

Board Structure PRL has an eleven board, including the MD & CEO. The board comprises of six non-executive, four independent, and one executive member.

Members' Profile Mr. Tariq Karmani, an MBA, is the Chairman of the board, with more than 30 years of experience in relevant sector. PRL's board comprises of highly qualified members, It is composed of professionals with considerable foreign and local experience in the oil and gas sector. A few of the board members have an engineering background while some are qualified in the domain of finance and arts. Diversification in terms of experience and knowledge is considered good.

Board Effectiveness The BoD has constituted four committees to maintain strategic oversight, namely: i) Board Audit Committee ii) Board Human Resource and Remuneration Committee iii) Board Project Steering Committee and iv) Board Share Transfer Committee. The TORs of all the committees are formally defined. A strong control environment is maintained.

Financial Transparency KPMG Taseer Hadi & Co. (ranked as 'A' category auditor by SBP), expressed an unqualified opinion on company's financial statements as at end June'21. Because of its listing status, financial transparency of the company is considered strong as it has to comply with the disclosures requirements of the regulators.

Management

Organizational Structure PRL's organizational architecture encompasses a well-built departmental structure comprising established reporting lines. The departments reporting directly to the MD comprise; a) Engineering, b) Refinery Update Project, c) Technology and Inspection, d) Finance, e) Human Resources, f) Security, g) Commercial, h) Operations & HSEQ. Internal Audit Department & the Company Secretary report to the MD, indirectly.

Management Team Mr. Zahid Mir, the Managing Director and CEO of PRL since August'19, is a petroleum engineer by profession and has an MBA. He is supported by a team of qualified and competent individuals.

Effectiveness Historically, PRL's effective management has played a major role in empowering the organization through its progressive results. Management's effective decision making has lead to processes becoming more systematic. The robustness of control systems is considered a reflection of strong management.

MIS PRL has implemented SAP ERP, since the year 2000. The SAP software is licensed and undergoes regular up-gradation. The modules implemented at PRL comprise; Finance, Material Management, HR and Plant Maintenance. PRL's IT infrastructure effectively manages all business operations of the company.

Control Environment The existence of the Isomerization Unit has resulted in a production increase of Motor Gasoline (MOGAS), a high margin product. The unit is responsible to convert Naptha into MOGAS.

Business Risk

Industry Dynamics The country consumed a total of ~16.5mln metric tons (MT) of refined petroleum products in 9MFY22 (FY21: ~19.8mln MT). During this period the global prices of crude oil and petroleum products remained volatile. However, gradual recovery has been witnessed in overall oil demand after the easing of Covid. Going forward, the demand/supply and pricing of crude oil and petroleum products is expected to remain unstable due to the geo political situation and local political instability.

Relative Position With respect to the relative positioning of the players in the premium products (HSD and MOGAS); efficiency and utilization of available capacity is essential. Based on Net Sales for the nine month period ending March 2022, PARCO holds the majority market share of 48% while Cnergyico and Pakistan Refinery hold 11% each. Attock Refinery contributes 16% while National Refinery contributes 15% to the total domestic supply of POL products.

Revenues PRL reported its' topline for 9MFY22 as PKR 111.638mln. During 1HFY22, Pakistan refinery witnessed the surge of 59% as compared to 1HFY20 and generated a turnover of PKR 59.84 in 1HFY22 (1HFY20: PKR 37.622mln). This increase is seen mainly due to increase in volumetric sales.

Margins Gross Margin of the company has increased in 9MFY22 to 7.7% (1HFY22: 2.4%,1HFY22: 3.5%) owing to i) increased operating costs due to the increase in the price of raw material ii) inventory loses. Operating margins of the company are also decreasing owing to a increase in operating expenses during the period under the review.

Sustainability The refinery sector has been going through an existential crises, as a result of the government's demand for environmental friendly fuel. The issue of low FO offtake has been compounded by the introduction of the IMO 2020, which necessitates the use of low sulphur FO by the marine sector. Due to the substantial investment needed for the required upgrades to the refineries, the developments in this regard, have reached an impasse. A slump in demand of petroleum products, due to the lockdown in light of Covid, as put the industry players under further pressure. Government assistance is imperative for the sustenance of the sector.

Financial Risk

Working Capital PRL's working capital requirement emanates from it's need to finance its inventory and circular debt, which usually results in net receivable position to the company. During 9MFY22 gross working capital days has increased to 57 days (1HFY22 52 days,1HFY21: 68 days). This is primarily due to the decrease in trade receivables. In order to meet working capital requirement, PRL resorts to short-term borrowings. During 1HFY22, total available financing facility is -PKR 9450mln of which -100% is utilized.

Coverages PRL cash flow generation ability remain a function of its profitability and working capital requirements. During 9MFY22, coverages of the company have slightly shown a stagnant trend (Interest coverage: 9MFY22: 6.9x, 1FY22: 1.5x 1HFY21: 1.8x) owing to reduced profitability translating into lower FCFO. Nevertheless, amidst volatility in crude oil prices, sustaining a level of coverages for upcoming payments commensurate with the company's rating remains pivotal. Going forward, any accumulation of debt for the upcoming expansion and upgradation project may impact the coverages.

Capitalization PRL had a long-term loan PKR 2bln (outstanding 600mln) obtained for an upgradation project of Isomerization. The said loan was repayable in ten semiannual payments with a maturity of seven years @6MK+0.75bps. The leveraging ratio stood at 92.3%. The company's leveraging has increased due to foreign currency loan of -PKR15.3bln.

The Pakistan Credit Rating Agency Limited

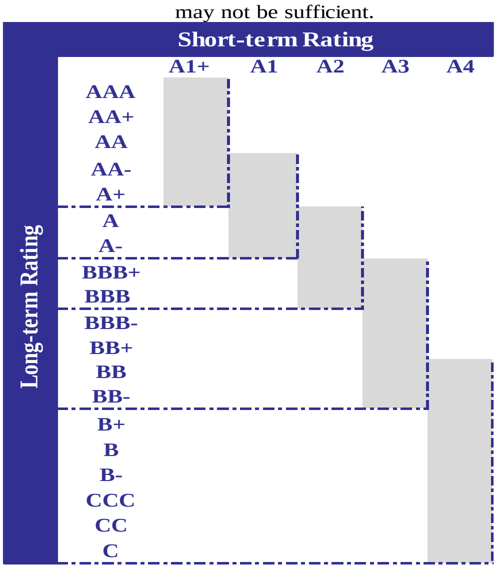
Pakistan Refinery Limited	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20
Refinery	9M	6M	3M	12M	9M	6M	3M	12M
A BALANCE SHEET								
1 Non-Current Assets	20,019	20,164	20,378	20,614	20,773	20,953	21,237	21,427
2 Investments	-	-	-	-	-	-	-	-
3 Related Party Exposure	59	57	59	59	130	157	160	92
4 Current Assets	45,257	19,870	21,091	20,321	22,295	15,920	16,356	13,933
a Inventories	*17,200*	*13,109*	*13,637*	*10,415*	*14,321*	*9,696*	*11,194*	*7,527*
b Trade Receivables	*12,447*	*3,968*	*5,898*	*6,589*	*6,787*	*5,775*	*4,742*	*3,667*
5 Total Assets	65,335	40,092	41,528	40,994	43,198	37,029	37,754	35,452
6 Current Liabilities	36,697	14,707	28,341	20,544	25,900	18,918	20,272	18,195
a Trade Payables	*27,950*	*8,676*	*19,428*	*14,076*	*14,673*	*10,711*	*11,781*	*10,234*
7 Borrowings	20,774	23,069	11,131	18,020	15,177	16,529	15,710	16,970
8 Related Party Exposure	-	-	-	-	-	-	-	-
9 Non-Current Liabilities	402	384	387	382	466	463	458	460
10 Net Assets	7,462	1,933	1,669	2,047	1,655	1,119	1,313	(173)
11 Shareholders' Equity	7,462	1,933	1,669	2,047	1,655	1,119	1,313	(173)
B INCOME STATEMENT								
1 Sales	111,638	59,884	35,629	92,084	64,804	37,622	17,659	90,524
a Cost of Good Sold	*(103,032)*	*(58,436)*	*(35,156)*	*(88,843)*	*(62,324)*	*(36,390)*	*(16,778)*	*(94,893)*
2 Gross Profit	8,606	1,449	472	3,241	2,480	1,232	881	(4,368)
a Operating Expenses	(642)	(421)	(189)	(745)	(558)	(345)	(153)	(666)
3 Operating Profit	7,964	1,028	283	2,496	1,922	887	728	(5,034)
a Non Operating Income or (Expense)	*(405)*	*(30)*	*(21)*	*454*	*166*	*138*	*(3)*	*50*
4 Profit or (Loss) before Interest and Tax	7,559	998	262	2,950	2,089	1,025	725	(4,984)
a Total Finance Cost	*(1,115)*	*(798)*	*(453)*	*(1,311)*	*(975)*	*(649)*	*(310)*	*(1,921)*
b Taxation	*(1,029)*	*(315)*	*(188)*	*(702)*	*(493)*	*(291)*	*(133)*	*(686)*
6 Net Income Or (Loss)	5,415	(114)	(378)	937	621	85	282	(7,591)
C CASH FLOW STATEMENT								
a Free Cash Flows from Operations (FCFO)	*7,645*	*1,159*	*356*	*3,311*	*2,362*	*1,185*	*855*	*(4,677)*
b Net Cash from Operating Activities before Working Capital Changes	*6,607*	*351*	*(59)*	*1,917*	*1,280*	*486*	*440*	*(6,558)*
c Changes in Working Capital	*2,373*	*(5,103)*	*7,220*	*(6,029)*	*(2,666)*	*(3,393)*	*(2,485)*	*9,864*
1 Net Cash provided by Operating Activities	8,980	(4,752)	7,161	(4,112)	(1,386)	(2,906)	(2,045)	3,306
2 Net Cash (Used in) or Available From Investing Activities	(206)	(102)	(40)	(242)	(123)	(31)	(87)	(1,283)
3 Net Cash (Used in) or Available From Financing Activities	2,099	5,055	(6,919)	2,237	(455)	769	2,007	(87)
4 Net Cash generated or (Used) during the period	10,873	201	201	(2,117)	(1,964)	(2,169)	(126)	1,936
D RATIO ANALYSIS								
1 Performance								
a Sales Growth (for the period)	61.6%	30.1%	54.8%	1.7%	-4.5%	-16.9%	-22.0%	-21.8%
b Gross Profit Margin	7.7%	2.4%	1.3%	3.5%	3.8%	3.3%	5.0%	-4.8%
c Net Profit Margin	4.9%	-0.2%	-1.1%	1.0%	1.0%	0.2%	1.6%	-8.4%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sal	9.0%	-6.6%	21.3%	-3.0%	-0.5%	-5.9%	-9.2%	5.7%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Asset*	151.9%	-11.5%	-81.5%	50.0%	55.9%	18.0%	98.9%	-455.1%
2 Working Capital Management								
a Gross Working Capital (Average Days)	57	52	47	59	71	68	70	67
b Net Working Capital (Average Days)	6	17	4	11	19	17	13	25
c Current Ratio (Current Assets / Current Liabilities)	1.2	1.4	0.7	1.0	0.9	0.8	0.8	0.8
3 Coverages								
a EBITDA / Finance Cost	7.6	2.0	1.2	3.2	3.1	2.5	3.3	-2.9
b FCFO / Finance Cost+CMLTB+Excess STB	0.8	0.1	0.1	0.2	0.2	0.1	0.2	-0.3
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cos	1.4	24.8	-48.2	9.1	10.2	18.2	9.0	-3.5
4 Capital Structure								
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	73.6%	92.3%	87.0%	89.8%	90.2%	93.7%	92.3%	101.0%
b Interest or Markup Payable (Days)	104.4	68.6	58.0	58.0	125.8	92.0	0.0	85.1
c Entity Average Borrowing Rate	8.4%	9.5%	11.8%	7.9%	7.8%	7.6%	7.8%	8.0%

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.

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

Short-term Rating	
Scale	**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
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 surveill 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):

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

Instruments
a) Basel III Compliant Debt Instrument Rating
b) Debt Instrument Rating
c) Sukuk Rating

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations,2016)

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.
(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)

Proprietary Information