



The Pakistan Credit Rating Agency Limited

## Rating Report

Intermarket Securities Limited (Formerly: EFG Hermes Pakistan Limited) | BFR

### Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

### Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
19-Dec-2025	BFR 2+	Stable	Maintain	-
20-Dec-2024	BFR 2+	Stable	Maintain	-
21-Dec-2023	BFR 2+	Stable	Maintain	-
23-Dec-2022	BFR 2+	Stable	Maintain	-
31-Mar-2022	BFR 2+	Stable	Initial	-

### Rating Rationale

Factor	Comment
<b>Ownership</b>	IMS is majority-owned by the Bilwani family. At end 1QFY26, Ms. Erum Bilwani and Mr. M. Uraib Azneem Bilwani together hold over ~84.45% of the issued share capital, with AB (Pvt.) Limited holding ~7.9% and remaining free float.
<b>Governance</b>	IMS is governed by a seven-member BoD's, chaired by Ms. Erum Bilwani. The Board includes three independent, one executive, and three non executive directors, providing a balanced mix of oversight & operational insight.
<b>Management and Client Services</b>	IMS has an experienced management team and a clear organizational structure, delivering reliable client services through standardized processes, integrated systems, and strong operational continuity.
<b>Internal Controls and Regulatory Compliance</b>	IMS has a formal risk management and internal audit framework, coupled with a dedicated compliance function, ensuring adherence to regulatory requirements and a baseline control environment while supporting fiduciary reliability.
<b>Business Sustainability</b>	IMS's post-merger performance is supported by favorable market activity and strengthened equity, with a strategic focus on client expansion and digital integration to sustain revenue.
<b>Financial Sustainability</b>	IMS's equity strengthened to ~PKR 1.71bn, supported by internal profits, with margin-financing exposure at ~PKR 1.13bn and proprietary investments at ~PKR 498mn(~29% of equity). Short term borrowings of ~PKR 931mn fund operations, while risk and liquidity management remain adequate.

### Key Rating Drivers

Sustained governance and oversight across client servicing, regulatory compliance, and core risk functions, combined with ongoing enhancement of internal controls and disciplined management of market-linked exposures, will support preservation of the fiduciary profile as IMS's scale and activity expand.

### Disclosure

<b>Name of Rated Entity</b>	Intermarket Securities Limited (Formerly: EFG Hermes Pakistan Limited)   BFR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Broker Fiduciary Rating (BFR)
<b>Applicable Criteria</b>	Assessment Framework   Broker Fiduciary Rating(Jan-25),Methodology   Rating Modifiers(Apr-25)
<b>Related Research</b>	Sector Study   Brokerage Firms(Feb-25)
<b>Rating Analysts</b>	Usama Ali   usama.ali@pacra.com   +92-42-35869504

## Profile

**Background** Intermarket Securities Limited (formerly 'EFG Hermes Pakistan Limited') (the Company) was originally incorporated as a private limited company under the name 'Invest and Finance Securities (Private) Limited' on September 27, 1999, under the Companies Ordinance, 1984 (subsequently repealed by the Companies Act, 2017 issued in May 2017). On November 27, 2006, the Company was converted into a public unlisted company and, accordingly, renamed 'Invest and Finance Securities Limited'. The Company was subsequently listed on Karachi Stock Exchange Limited (now Pakistan Stock Exchange Limited) with effect from March 20, 2008. In May 2017, the majority shareholding of the Company was acquired by EFG Hermes Brokerage Holding LLC, a foreign entity based in Dubai, UAE. Following this change in ownership, the Company was renamed 'EFG Hermes Pakistan Limited'. With effect from July 01, 2024, EFG Hermes Pakistan Limited was merged with Intermarket Securities Limited (IMS), a public unlisted company, pursuant to a Scheme of Arrangement ('the Reverse Merger Scheme') sanctioned by the Honorable High Court of Sindh on October 09, 2024. In accordance with the terms of the Reverse Merger Scheme, IMS was dissolved without winding up, and the name of the Company was changed from 'EFG Hermes Pakistan Limited' to 'Intermarket Securities Limited'. The principal activities of the Company are investments, share brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. The registered office of the Company is situated at 5th Floor, Ext. Block, Bahria Complex IV, Ch. Khaliq-ur-Zaman Road, Clifton, Karachi, Pakistan. The FY25 financial statements represent a transitional six-month reporting period (January–June 2025) due to alignment of the financial year-end, while 1QFY26 constitutes the first normalized quarter under the post-merger structure. Accordingly, current financial and operational indicators are best interpreted as reflective of IMS's standalone operating profile, rather than a blended legacy of the predecessor entity. As disclosed in the notes, comparative figures therefore relate to prior reporting period, and thus are not directly comparable.

**Operations** IMS's core operations are centered on equity brokerage, margin financing, supported by proprietary investments, advisory and underwriting services. The Company maintains a multi-location presence across Karachi and Lahore, operating from PSX buildings and commercial business districts, ensuring proximity to institutional and high-net-worth clientele. Brokerage remains the primary revenue driver, supported by active participation in high-volume market segments. Margin financing has expanded materially post-merger, as evidenced by a significant increase in receivables against margin financing, aligning with elevated market turnover and client trading activity. Proprietary trading activity has also scaled up, with a notable increase in short-term investments, primarily in quoted equity securities. Operationally, IMS functions through a centralized structure with defined front-office (trading, sales), middle-office (risk, compliance), and back-office (settlement, finance) segregation. The Company utilizes NCCPL and CDC infrastructure for clearing and settlement, ensuring standardized margining, exposure management, and counterparty risk controls. From a fiduciary standpoint, this reliance on market utilities materially reduces settlement risk and reinforces discipline in client-level exposure management. While revenue concentration remains tilted toward brokerage-linked income, the operational model benefits from scalability during periods of heightened market activity. At the same time, this exposes earnings to market cyclicality, underscoring the importance of risk controls, liquidity buffers, and capital discipline, aspects that are evaluated in subsequent sections of this report.

## Ownership

**Ownership Structure** Intermarket Securities Limited ("IMS" or "the Company") is majority-owned by members of the Bilwani family. As at September 30, 2025, Ms. Erum Bilwani and Mr. Muhammad Uraib Azneem Bilwani together hold a controlling stake exceeding 80% of the issued share capital. During September 2025, EFG Hermes Brokerage Holding LLC disposed of its entire shareholding in the Company. As disclosed to the Pakistan Stock Exchange, AB Holdings (Pvt.) Limited acquired 102,079,820 ordinary shares (approximately 7.9%) under a Share Purchase Agreement dated September 30, 2025. AB Holdings (Pvt.) Limited is a related-party vehicle in which Ms. Erum Bilwani holds ~30% ownership interest. Accordingly, EFG Hermes no longer holds any equity interest in IMS, and ownership is now fully concentrated within the local sponsor group and its associated entities. The shareholding structure as of Sep 30, 2025 is as follows:

- Ms. Erum Bilwani: 43.07%
- Mr. Muhammad Uraib Azneem Bilwani: 41.38%
- AB Holdings (Pvt.) Limited: 7.93%
- Remaining free float

**Stability** IMS maintains a stable and concentrated ownership structure, with effective control resting with the Bilwani family. No material ownership disputes, or indicators of ownership instability were identified during the review period.

**Business Acumen** The sponsor group demonstrates deep familiarity with Pakistan's capital markets, supported by long-term involvement in brokerage operations, trading activity, and market infrastructure. This experience has enabled IMS to scale operations during periods of elevated market activity and adapt to changing liquidity and settlement dynamics. Sponsor participation in market activity contributes to execution depth and responsiveness; however, it also necessitates strict enforcement of arm's-length controls. Overall, sponsor business acumen is assessed as execution-oriented, with demonstrated capacity to operate across market cycles.

**Financial Strength** Sponsor financial strength is reflected through implicit support, market credibility, and demonstrated commitment to the business, rather than explicit guarantees or recurring capital injections. While IMS remains operationally and financially self-sustained, with capitalization and liquidity managed at the entity level, the sponsor group is viewed as financially capable and strategically aligned to support the Company's growth trajectory, should the need arise. The absence of unsecured sponsor funding or structural related-party dependence limits contagion risk. However, given the lack of a diversified holding-company structure, the Company's credit profile continues to be primarily driven by internal capital adequacy and earnings retention. Overall, sponsor financial strength is assessed as adequate, supportive, and available, though not intended to substitute for the Company's standalone financial profile.

## Governance

**Board Structure** The Company's Board of Directors (BoD) comprises seven members, which include three independent, one executive director and three non-executive directors. Ms. Erum Balwani, a non-executive director, currently chairs the board.

**Members' Profile** Board members collectively bring experience across brokerage operations, capital markets, trading activity, and corporate governance. Independent directors possess professional backgrounds that enable objective review of financial reporting, regulatory compliance, and risk oversight. No material gaps were identified in terms of functional expertise relevant to IMS's business model. The Board's skill mix appears sufficient for overseeing a brokerage franchise operating in a high-volatility, market-linked environment.

**Board Effectiveness** Board effectiveness is evidenced through continued oversight of related-party matters, capital deployment, and risk exposures, particularly in the post-merger period. Key strategic matters, including borrowing limits, margin-financing expansion, and proprietary exposure, remain subject to Board-level review. To ensure an effective control environment and compliance with reporting standards, the Company has constituted two board committees: i) Audit Committee, and ii) Human Resource and Remuneration Committee. Both the Audit and Human Resource committees are chaired by independent directors, enhancing governance oversight.

**Financial** The Company's external audit is conducted by Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, an SBP "A" Category firm. For FY25, the auditors issued an unqualified opinion. The internal audit function is in place and operates under defined reporting lines, supporting periodic review of controls, processes, and regulatory compliance. Financial reporting discipline is viewed as adequate for the scale and complexity of operations, an essential component of fiduciary reliability for a brokerage handling client assets and exposures.

## Management And Client Services

**Organizational Structure** IMS operates under a functionally aligned organizational structure, with clearly demarcated responsibilities across brokerage operations, risk management, finance, compliance, research, and client servicing. The post-merger structure has localized decision-making authority, reducing dependency on offshore management layers that existed under the prior ownership framework. The structure supports timely execution, operational continuity, and regulatory responsiveness.

**Management Team** The senior management team comprises experienced professionals with long-standing exposure to Pakistan's capital markets. Management continuity post-merger has supported operational stability and ensured that business momentum was maintained during the transition period. Management depth is assessed as adequate for current business volumes. As the business expands, particularly in margin financing and selective proprietary activity, maintaining commensurate strength in second-line risk and oversight functions will be important to support governance effectiveness.

**Client Servicing** IMS services a predominantly retail client base, supplemented by corporate and high-net-worth clients. The Company has provided its customers with various channels, including a mobile app and online trading platform to facilitate the execution and monitoring of their transactions. The research department shares the relevant research with the clients on a regular basis. Client onboarding, execution, settlement, and margining processes are standardized and routed through regulated market infrastructure (PSX, NCCPL, CDC). Client service delivery benefits from direct sponsor involvement in market activity; however, this also heightens the importance of consistent treatment across sponsor-related and third-party clients, which is addressed through uniform margining and settlement controls.

**Complaint Management** The Company maintains formal mechanisms for complaint handling, including escalation protocols aligned with SECP and PSX requirements. No material unresolved complaints or regulatory actions relating to client grievances were noted during the review period.

**Extent Of Automation / Integration** Core brokerage operations, including trade execution, margin monitoring, settlements, and reporting, are supported through integrated systems. IMS's trading system has a centralized real-time risk management system and allows for online trading. The core software functions include Equity Settlement, MM Settlement, Payroll, Accounting and Risk Management.

**Continuity Of Operations** IMS maintains a disaster recovery and business continuity framework, including backup systems and alternative operating arrangements. The data pertaining to backoffice records and applications are being backed daily and secured in two separate locations. No material operational disruptions were recorded during the merger transition or subsequent reporting periods.

## Internal Controls And Regulatory Compliance

**Risk Management Framework** IMS maintains a formal risk-management structure encompassing policies, defined risk appetites, and procedural controls covering market, credit, liquidity, and operational risks. The framework is supported by a designated risk-management function, separate from front-office operations, responsible for monitoring exposures and adherence to internal limits. Risk oversight is complemented by an internal audit function, which performs periodic reviews of processes and controls. While the existence of these structures indicates alignment with industry norms for brokerage operations, the framework's effectiveness remains inherently linked to management discipline, especially given elevated trading volumes, increased leverage, and higher proprietary exposure observed post-merger. From a fiduciary standpoint, the presence of documented policies and segregation of responsibilities provides a baseline control environment; however, the evolving scale and complexity of operations warrant continued enhancement of risk reporting depth and forward-looking stress assessment.

**Regulatory Compliance** IMS operates within the regulatory ambit of the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX), Central Depository Company (CDC), & National Clearing Company of Pakistan (NCCPL). A dedicated compliance function oversees adherence to applicable brokerage regulations, including Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) requirements, client onboarding standards, and reporting obligations. Compliance processes are embedded within day-to-day operations through prescribed checks, disclosures, and reporting mechanisms. The Company's post-merger structure has retained local compliance oversight, reducing reliance on offshore governance layers and enabling more direct regulatory engagement. Given the Company's increasing market activity and concentration in certain client segments, sustained regulatory compliance will remain contingent on proactive monitoring rather than procedural sufficiency alone.

## Business Sustainability

**Operating Environment** Pakistan's macroeconomic conditions remained broadly stable through FY25 and 1QFY26, creating a supportive backdrop for capital market activity and the brokerage industry. FY25 reflected a phase of gradual recovery, underpinned by IMF-backed reforms, easing inflationary pressures, and an improving external position. Real GDP growth was estimated at ~2.7%, supported by expansion in industry (~4.8%) and services (~2.9%), while per capita income increased to ~USD 1,824. Average inflation declined sharply to ~4.5% in FY25 from 23.4% in FY24, enabling the State Bank of Pakistan (SBP) to reduce the policy rate from 20.5% to 11% by the end of the fiscal year. During 1QFY26, stabilization momentum persisted, with average inflation easing further to ~4.2% and the PKR appreciating by ~0.9% on a FYTD basis. External indicators continued to strengthen, as exports increased by ~11% YoY to USD ~6.7bn, remittances rose by ~7% YoY to USD ~6.35bn, and foreign exchange reserves reached ~USD 19.8bn by end-Sep'25. Subsequent to the quarter-end, the SBP further lowered the policy rate to 10.5% (as of December 2025), reinforcing accommodative monetary conditions. While the transmission of rate cuts to risk assets typically occurs with a lag, the prevailing low-inflation and stable-rate environment has supported improved investor sentiment and trading activity at the Pakistan Stock Exchange (PSX). Market confidence has also been underpinned by expectations of upcoming Initial Public Offerings (IPOs), signalling renewed corporate interest in equity listings and a gradual deepening of market participation.

**Performance** IMS's operating performance strengthened materially during the post-merger period, supported by elevated market activity and improved trading volumes. During FY25 (six-month transitional period from January to June 2025), the Company reported operating revenue of ~PKR 643.56mn, and profit after tax of ~PKR 155.37mn, reflecting improved brokerage throughput under favorable market conditions. The momentum carried into 1QFY26, with IMS reporting operating revenue of ~PKR 394.08, and profit after tax of PKR 209.8mn, marking the first normalized quarter under the post-merger structure. The improvement was driven primarily by higher brokerage activity amid sustained investor participation. On the balance sheet, equity strengthened to PKR 1.71bn as at end-September 2025 (June 2025: PKR 1.50bn), supported by internal capital generation. Short-term borrowings increased to PKR 931.0mn (June 2025: PKR 534.3mn), in line with higher settlement requirements and expanded margin-financing activity during the quarter.

**Strategy** The Company's stated strategic direction emphasizes expansion of its retail client base through improved technology integration, enhanced digital presence, and selective hiring to support system capability. In parallel, the Company continues to benefit from the merger by leveraging existing institutional relationships and operational continuity, including those historically linked to foreign transaction flows. Strategic execution remains at a developmental stage, with outcomes contingent on effective system enhancement, client diversification, and disciplined balance-sheet deployment. Over the medium term, the ability to translate current market momentum into a broader, more resilient revenue mix will be a key determinant of business sustainability.

## Financial Sustainability

**Credit Risk** IMS's credit-risk exposure primarily emanates from its brokerage operations, including client receivables and margin-financing activity. Credit risk is managed within the framework prescribed by PSX and NCCPL, under which client trades are collateralised and subject to margin requirements and daily settlement cycles. As at end-1QFY26, receivables against margin financing increased to PKR ~1.13bn (June 2025: PKR ~554mn), reflecting heightened market activity and increased client participation. Trade debts reduced to PKR ~717mn from PKR ~940mn over the same period, partly offsetting the rise in margin exposures. While no material credit impairments were disclosed, the higher scale of margin financing elevates exposure to market-driven volatility, particularly during periods of sharp price correction. From a fiduciary standpoint, the Company's credit-risk profile remains closely linked to market conditions and collateral discipline, necessitating ongoing monitoring as business volumes expand.

**Market Risk** Market risk arises primarily from IMS's proprietary investment activities. As disclosed in Note 8.1 to the FY25 financial statements, the proprietary book stood at approximately PKR 97.17mn as at June 30, 2025, representing ~6.47% of equity, and increased to ~PKR 497.9mn (~29.09% of equity) by end-1QFY26, reflecting higher allocation to quoted equity securities during a period of favorable market conditions. While the financial statements do not disclose formal hedging arrangements or net exposure metrics, the proprietary positions remain within the Company's equity supported capacity. Inherently, equity-linked proprietary exposures introduce sensitivity to market movements; however, management has indicated that such positions are undertaken selectively, supported by internal investment discipline, sectoral diversification, and oversight at senior management and Board levels.

**Liquidity Risk** IMS's liquidity profile remained adequate as at end-Jun'25, supported by a surplus of current assets over current liabilities. At June 30, 2025, current assets stood at PKR ~3.07bn against current liabilities of PKR ~1.75bn, translating into a current ratio of approximately 1.75x. Liquidity buffers are supplemented by short-term investments and access to secured banking lines. During 1QFY26, short-term borrowings increased to PKR ~931mn (June 2025: PKR ~534mn), reflecting higher settlement and margin-financing requirements amid elevated market activity. These facilities are secured against pledged shares and subject to lender-defined margins. While liquidity remains supported by asset quality and funding access, increased reliance on short-term borrowings raises sensitivity to sudden market stress, reinforcing the need for prudent liquidity management under a fiduciary framework.

**Capitalization** IMS maintains a moderate capitalization profile. As at June 30, 2025, equity stood at PKR ~1.50bn, improving to PKR ~1.71bn by end-Sep'25, supported by internal profit generation. The Company's balance sheet is primarily leveraged through short-term secured borrowings, with no disclosed long-term debt. The Liquid Capital Balance (LCB) amounted to PKR ~849.6mn as at June 30, 2025, remaining above regulatory requirements and providing a buffer against market and settlement risks. However, the combination of (i) higher proprietary exposure, (ii) expanded margin-financing activity, and (iii) increased leverage during 1QFY26 places greater emphasis on maintaining capital discipline as operating volumes scale up. From a fiduciary perspective, capitalization is presently adequate, though continued earnings retention and cautious balance-sheet expansion will be important to preserve loss-absorption capacity across market cycles.



**THE PAKISTAN CREDIT RATING AGENCY**

Intermarket Securities Limited  
PUBLIC LISTED LIMITED  
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

Sep-25 FY26 3M Management	Jun-25 FY25 6M Audited	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited
------------------------------------	---------------------------------	----------------------------------	----------------------------------

**BALANCE SHEET**

	Sep-25 FY26 3M Management	Jun-25 FY25 6M Audited	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited
1 FINANCES	1,133.17	553.73	640.57	134.62
2 INVESTMENTS	670.79	265.11	280.37	283.14
3 OTHER EARNING ASSETS	71.71	31.80	12.76	11.40
4 NON-EARNING ASSETS	2,905.38	2,511.62	3,040.92	315.46
5 NON-PERFORMING FINANCES-net	(25.69)	(32.74)	(19.18)	-
<b>TOTAL ASSETS</b>	<b>4,781.06</b>	<b>3,362.26</b>	<b>3,974.62</b>	<b>744.62</b>
6 FUNDING	1,041.36	646.56	587.80	434.14
7 OTHER LIABILITIES (NON-INTEREST BEARING)	2,028.40	1,214.25	1,778.00	187.65
<b>TOTAL LIABILITIES</b>	<b>3,069.77</b>	<b>1,860.80</b>	<b>2,365.80</b>	<b>621.79</b>
<b>TOTAL EQUITY</b>	<b>1,711.29</b>	<b>1,501.46</b>	<b>1,608.82</b>	<b>122.83</b>

**INCOME STATEMENT  
INCOME**

	Sep-25 FY26 3M Management	Jun-25 FY25 6M Audited	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited
1 FEE BASED INCOME	357.81	558.48	874.09	28.29
2 OPERATING EXPENSES	(216.55)	(417.45)	(609.74)	(56.10)
3 NON-FEE BASED INCOME	94.95	73.67	362.73	37.97
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>236.21</b>	<b>214.70</b>	<b>627.08</b>	<b>10.16</b>
4 FINANCIAL CHARGES	(17.43)	(35.14)	(134.13)	(33.05)
<b>PRE-TAX PROFIT</b>	<b>246.53</b>	<b>218.72</b>	<b>543.82</b>	<b>(22.90)</b>
5 TAXES	(36.70)	(63.36)	(61.57)	(3.04)
<b>PROFIT AFTER TAX</b>	<b>209.83</b>	<b>155.37</b>	<b>482.25</b>	<b>(25.94)</b>

**RATIOS**

**BUSINESS SUSTAINABILITY**

	Sep-25 FY26 3M Management	Jun-25 FY25 6M Audited	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited
1 PRE-TAX MARGIN	0.69	0.39	0.62	(0.75)
2 EBITDA MARGIN	0.74	0.45	0.78	0.33
3 EBIT RETURN ON ASSETS	0.25	0.25	0.29	0.01

**FINANCIAL SUSTAINABILITY**

	Sep-25 FY26 3M Management	Jun-25 FY25 6M Audited	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited
1 TOTAL INVESTMENTS / EQUITY	0.39	0.18	0.17	2.31
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.61	0.57	0.37	2.67
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL	0.35	0.13	0.08	0.40
4 TOTAL DEBT / TOTAL ASSETS	0.22	0.19	0.15	0.58

## Broker Fiduciary Rating Scale & Definitions

An independent opinion on a broker's quality of management and client services, and the sustainability of operations

Scale	Definition
BFR 1	<b>Very Strong.</b> Very Strong quality of management and client services, and a very high likelihood of sustaining operations.
BFR 2++ BFR 2+ BFR 2	<b>Strong.</b> Strong quality of management and client service, and a high likelihood of sustaining operations
BFR 3++ BFR 3+ BFR 3	<b>Good.</b> Good quality of management and client service, and average likelihood of sustaining operations.
BFR 4++ BFR 4+ BFR 4	<b>Adequate.</b> Adequate quality of management and client service, and average likelihood of sustaining operations.
BFR 5	<b>Weak.</b> Weak quality of management and client service, and a weak likelihood of sustaining operations.

## Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)	Rating Watch	Suspension	Withdrawn	Harmonization
<p>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>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 the foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany the rating outlook of the respective opinion.</p>	<p>It is not possible to update an opinion due to a lack of requisite information. Opinion should be resumed in the foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>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.</p>	<p>A change in rating due to a revision in the applicable methodology or underlying scale.</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. Rating actions may include "maintain", "upgrade", or "downgrade".

**Disclaimer:** PACRA has used due care in the preparation of this document. Our information has been obtained from sources we consider to be reliable, but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

### **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)

### **Proprietary Information**

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent