



The Pakistan Credit Rating Agency Limited

## Rating Report

### Arif Habib Limited | BFR

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1. Rating Analysis
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#### Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
12-Dec-2025	BFR 1	Stable	Maintain	-
13-Dec-2024	BFR 1	Stable	Maintain	-
15-Dec-2023	BFR 1	Stable	Maintain	-
16-Dec-2022	BFR 1	Stable	Maintain	-
17-Dec-2021	BFR 1	Stable	Maintain	-
29-Sep-2021	BFR 1	Stable	Initial	-

#### Rating Rationale

Factor	Comment
<b>Ownership</b>	The assigned rating factors in AHL's strong sponsorship profile, with AHCL holding ~74.32% shares, while the general public (local and foreign) holds ~21.81%. The Group's financial strength and diversified business portfolio continue to support AHL's franchise stability.
<b>Governance</b>	AHL maintains an organized governance structure comprising six directors, including 3 independents, 2 non-executive, and 1 executive director. Board committees, audit, HR&R, and risk Compliance are chaired by independent directors, reinforcing oversight and accountability.
<b>Management and Client Services</b>	The management team comprises experienced professionals across departments, supported by defined reporting lines. Client servicing remains strong, with ~16,065 active clients as of 1Q'FY26, backed by research availability, online trading platforms, and a dedicated service desk.
<b>Internal Controls and Regulatory Compliance</b>	AHL operates with independent internal audit, compliance, and risk management functions. System-based monitoring, defined exposure limits, and structured reporting mechanisms support a sound internal control and regulatory compliance framework.
<b>Business Sustainability</b>	In FY25, AHL's brokerage revenue increased to ~PKR 1.14bn, while the company reported a PAT of ~PKR 979mn, reflecting improved market activity and strong client engagement. Market share stood at ~7.76%, demonstrating a stable competitive position.
<b>Financial Sustainability</b>	As of Sept'25, AHL's equity strengthened to PKR 2.17bn, while the regulatory LCB improved to ~PKR 1.37bn. Liquidity remains strong with current ratio of 1.26 and controlled reliance on short-term borrowing.

#### Key Rating Drivers

Fiduciary practices across client servicing, compliance and core risk oversight remain foundational to the control architecture, with progressive refinements anticipated to further reinforce the governance and risk-management environment. Going forward, deepening management capacity, refining internal control mechanisms, incrementally strengthening client protection, enhancing grievance mechanisms and fortifying the conflict-management framework will remain pivotal for sustaining the fiduciary profile.

#### Disclosure

<b>Name of Rated Entity</b>	Arif Habib 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** Arif Habib Limited (“AHL” or the “Company”) is one of Pakistan’s leading brokerage and investment advisory firms, established in 2004 and operating as a licensed TREC holder of the Pakistan Stock Exchange. Over the years, AHL has evolved from a conventional brokerage house into a diversified capital-markets intermediary offering equity brokerage, investment banking, money market intermediation, and securities research. The Company serves a broad client base comprising high-net-worth individuals (HNWIs), retail clients, financial institutions, non-resident Pakistanis (RDA clients), and foreign broker dealers. A strategic restructuring, the transfer of legacy investments to Arif Habib Corporation Limited (AHCL) under a Court-sanctioned Scheme of Arrangement, has allowed AHL to reposition itself as a pure-play capital markets services platform. This structural clarity supports operational focus and aligns the Company with global brokerage-industry norms.

**Operations** AHL operates through a functional organizational model spanning equity brokerage, institutional sales, retail & digital channels, research, investment banking advisory, money market intermediation, and back-office operations. The Company maintains a presence across major investor hubs through branch offices and digital onboarding touchpoints. AHL’s service delivery is supported by an integrated trading system accessible through desktop, web, and mobile channels, supplemented by in-house research and a dedicated customer support function. The Company maintains an active nationwide footprint in online trading, institutional coverage, and advisory execution, positioning itself as a scale player in the domestic brokerage landscape. Its revenue mix is driven by brokerage commissions, advisory mandates, treasury operations, and ancillary services, with operational activity influenced by market liquidity cycles and investor sentiment.

## Ownership

**Ownership Structure** AHL is majority-owned by Arif Habib Corporation Limited (AHCL), which holds approximately 74.32% of the Company’s shares. The remaining shareholding is dispersed among local and foreign public investors. The ownership profile reflects a highly concentrated sponsor structure, typical of group-backed brokerages in Pakistan.

**Stability** Sponsor stability is assessed as strong, supported by AHCL’s long-standing presence within Pakistan’s financial and industrial sectors. The shareholding pattern has remained consistent, indicating continuity in strategic direction and oversight. The group has historically demonstrated willingness to back its financial services entities, especially during periods of market stress.

**Business Acumen** The Arif Habib Group is among the country’s largest and most diversified conglomerates, with significant operations across fertilizers, cement, steel, real estate, financial services, and capital markets. The group’s multi-decade involvement in Pakistan’s investment ecosystem reflects deep market familiarity and a tested ability to operate across economic cycles. Their extensive institutional knowledge translates into strategic guidance for AHL, particularly with respect to brokerage expansion, investment banking penetration, and treasury discipline.

**Financial Strength** AHCL’s healthy balance sheet, diversified earnings base, and strong liquidity profile underpin AHL’s creditworthiness. The group’s breadth across multiple sectors provides resilience against cyclical downturns in capital markets. While AHL operates independently from a treasury standpoint, implicit sponsor support, demonstrated historically through capital strength, governance oversight, and group-level centralization of proprietary investments, acts as a buffer against financial shocks.

## Governance

**Board Structure** AHL’s governance framework is anchored by a six-member Board, comprising three independent directors, two non-executive directors, and one executive director (the CEO). The composition reflects an appropriate separation between oversight and management, with a meaningful presence of independent directors, an essential component in aligning governance practices with fiduciary expectations for a market intermediary. The Board is supported by three committees, Audit, HR & Remuneration, and Risk & Compliance, all chaired by independent directors.

**Members' Profile** Board members possess extensive experience across capital markets, corporate finance, industry operations, and financial management. Their cumulative expertise, including representation from the wider Arif Habib Group, enhances strategic depth while providing informed supervision over key brokerage, advisory, and treasury activities. The professional background of directors indicates the Board’s capacity to exercise prudent judgment, particularly in areas involving client asset safety, regulatory obligations, and exposure oversight.

**Board Effectiveness** Evidence from FY25 board proceedings indicates an active and engaged Board. Directors provided strategic direction in areas such as digital expansion, cost optimization, market-share enhancement, and investment banking execution. Oversight of brokerage performance, treasury activity, and client growth trajectories suggests appropriate involvement in safeguarding the firm’s fiduciary responsibilities. Committee discussions, particularly within the Audit and Risk & Compliance Committees, show structured review of financial reporting, internal audit observations, and compliance matters. The Board’s monitoring of internal control issues and its emphasis on regulatory adherence indicate a governance culture oriented toward transparency and risk containment.

**Financial** AHL’s financial statements are audited by Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, an SBP "A" Category firm. For FY25, the auditors issued an unqualified opinion. The Audit Committee reviewed financial statements, related-party transactions, investment decisions, and major balance-sheet movements, with no material concerns raised. The Company maintains compliance with the Code of Corporate Governance, and the Board formally approves the Statement of Compliance annually. These elements collectively support the integrity of financial reporting, an essential component of fiduciary reliability for a brokerage handling client assets and exposures.

## Management And Client Services

**Organizational Structure** AHL operates through a functional organizational hierarchy encompassing key operational domains: finance, risk management and compliance, IT, equity operations, research, international sales, retail/online trading, commodity trading, and investment banking. Department heads report directly to the CEO, ensuring clarity of accountability and operational alignment. The structure is adequate for managing a brokerage with nationwide reach and multi-channel execution requirements.

**Management Team** The senior management team comprises experienced professionals with domain specialization in trading operations, capital markets research, risk management, technology, and finance. The CEO and CFO bring long-standing sector experience and demonstrate an understanding of both the commercial and fiduciary dimensions of brokerage operations. Management continuity and functional expertise contribute positively to operational stability and execution quality.

**Client Servicing** Client servicing is a critical pillar of fiduciary performance. AHL provides multi-channel access through a desktop trading application, web-based interface, and a mobile app designed to deliver order execution, research insights, and portfolio tools. Dedicated customer-support personnel address operational queries, onboarding assistance, and real-time execution issues. The Company maintains a structured framework for client engagement across retail, HNWI, RDA, and institutional segments, supporting differentiated service expectations. The availability of research, regular market updates, and platform accessibility enhances the transparency and informational value delivered to clients, an important determinant of fiduciary trust.

**Complaint Management** AHL has an established complaint-handling mechanism with defined escalation channels. The system ensures documented logging, tracking, and resolution of investor complaints. During periods of high account-opening activity in FY25, the compliance and customer-service teams processed elevated KYC/AML volumes without major operational lapses. The mechanism is adequate and aligns with PSX/SECP expectations for investor protection.

**Extent Of Automation / Integration** The Company's IT environment supports front-to-back automation across trading, settlement, and accounting functions. The back-office system is continuously updated to accommodate transaction volumes and regulatory requirements. Digital onboarding, automated KYC validation tools, and integrated trading interfaces facilitate operational efficiency and reduce manual error risk, enhancing AHL's fiduciary posture in safeguarding client transactions.

**Continuity Of Operations** AHL maintains a documented Disaster Recovery Plan, with data redundancies and alternative operational capabilities. Systems are configured to ensure continuity in the event of disruptions, supporting uninterrupted order execution and client communication. Operational resilience, particularly in brokerage operations where settlement cycles are time-sensitive, is integral to fiduciary soundness and is adequately addressed within the Company's current framework.

## Internal Controls And Regulatory Compliance

**Risk Management Framework** Risk management covers market, credit, and operational exposures through defined internal procedures. Proprietary exposures, client receivables, settlement positions, and margining requirements are monitored daily. System-generated controls support trade limits and exposure monitoring. Internal audit conducts periodic reviews, while the Risk & Compliance function oversees adherence to risk parameters, ensuring alignment with fiduciary obligations.

**Regulatory Compliance** AHL maintains compliance with SECP, PSX, CDC, and NCCPL regulatory regimes. KYC/AML processes, client-asset segregation, and periodic reporting remain in line with statutory requirements. Internal audit observations during FY25 did not identify any material deficiencies; remaining process-improvement items are operational in nature. The Company's regulatory posture is assessed as satisfactory for a brokerage operating in a fiduciary framework.

## Business Sustainability

**Operating Environment** Pakistan's macroeconomic conditions remained broadly stable through FY25 and 1QFY26, creating a supportive environment for capital market activity and the brokerage industry. FY25 reflected a phase of steady recovery, driven by IMF-backed reforms, easing inflation, and an improved external position. Real GDP grew by ~2.7%, supported by expansion in industry (~4.8%) and services (~2.9%), while per capita income increased to ~USD 1,824. Average inflation dropped sharply to ~4.5% from 23.4% in FY24, allowing the State Bank of Pakistan (SBP) to lower the policy rate from 20.5% to 11% by the end of the fiscal year. During 1QFY26, stabilization momentum continued, with average inflation easing further to ~4.2% and the PKR appreciating by ~0.9% FYTD. External indicators strengthened, as exports rose by ~11% YoY to USD ~6.7bn, remittances increased by ~7% YoY to USD ~6.35bn, and foreign exchange reserves reached ~USD 19.8bn by end-Sep'25. The SBP maintained the policy rate at 11%, supporting stable real returns and a favorable investment climate. Improving macro fundamentals, stable monetary policy, and renewed investor confidence have translated into higher trading activity at the Pakistan Stock Exchange (PSX). Market sentiment has also been supported by the expectation of upcoming Initial Public Offerings (IPOs), indicating renewed corporate interest in listings and deepening investor participation in the equity market.

**Performance** AHL's operating performance strengthened meaningfully in FY25, underpinned by elevated market activity and improved investor participation. The Company posted a net profit of PKR 979.26mn (FY24: PKR 611.94mn), supported by a 63% rise in brokerage income to PKR 1,141.96mn and higher realized gains on investments of PKR 1,097.27mn (FY24: PKR 374.39mn). Operating expenses increased in line with volume-driven activity, though operating leverage remained favourable. Finance cost declined to PKR 85.56mn on reduced reliance on short-term borrowing. The business momentum carried into 1QFY26, with AHL reporting profit after tax of PKR 246.39mn, up from PKR 136.55mn in the corresponding period last year. Operating revenue more than doubled to PKR 645.7mn (1QFY25: PKR 317.6mn), reflecting strong brokerage throughput and sizable realized gains. Administrative expenses rose commensurate with business scale and market engagement; however, overall profitability remained robust with quarterly EPS improving to PKR 3.77 (1QFY25: PKR 2.09). On the balance sheet, AHL's current assets expanded materially to PKR 9.10bn as at September 30, 2025 (June 2025: PKR 6.86bn), mainly driven by higher short-term investments and increased cash and bank balances (PKR 5.70bn, June 2025: PKR 3.73bn). Equity improved to PKR 2.17bn, reflecting internal capital generation. Short-term borrowings remained contained at PKR 928.9mn, aligned with working-capital requirements. Receivables and margin-financing exposures remained within manageable levels. Client activity trends continued to support revenue stability. While total registered clients increased modestly, active clients expanded at a materially higher rate, reflecting reactivation of existing accounts rather than dependence on new onboarding. The commission mix remained broadly diversified across institutional, retail/HNWI, RDA, and foreign segments, mirroring the structural characteristics of Pakistan's equity market.

**Strategy** The Company's strategy focuses on expansion in digital channels, strengthening institutional and retail coverage, and enhancing investment banking execution. Management continues to upgrade platforms, deepen research integration, and broaden client acquisition and engagement, supporting long-term business continuity and fiduciary reliability.

## Financial Sustainability

**Credit Risk** AHL's credit-risk profile is underpinned by established onboarding protocols and ongoing client-level oversight. The Company maintains a structured KYC and due-diligence mechanism aligned with regulatory requirements, supplemented by internal credit-assessment checks for margin-based products. Trading limits are assigned by client category, corporate, retail/HNWI, RDA, and foreign, based on assessed risk appetite, historical behaviour, and collateral adequacy. These limits are monitored daily through automated controls embedded in the trading and back-office systems, reducing the probability of excess exposure or unsettled positions. Receivable balances remained contained, with trade debts reducing to PKR 302.77mn as of September 30, 2025 (June 2025: PKR 435.13mn). Margin-financing exposures also remained manageable at PKR 259.74mn (June 2025: PKR 270.37mn), reflecting disciplined credit allocation. No material overdue or stressed exposures were reported during FY25 or 1QFY26. Overall, the Company's credit-risk practices demonstrate adequate prudence and align well with fiduciary expectations of the brokerage sector.

**Market Risk** AHL's market-risk exposure arises primarily from its proprietary positions. As at September 30, 2025, the proprietary book carried a market value of approximately PKR 2.01bn, up from PKR 1.02bn at June 2025, supported by favourable equity-market performance during the quarter. While headline exposure increased, the majority of the book continues to be hedged or offset through structured positions, consistent with the Company's trading approach. On a net basis, after adjusting for debt securities, group-company holdings (none), and hedged positions, proprietary exposure remained moderate relative to equity. Nonetheless, the underlying equity-leaning composition of the book exposes AHL to episodic volatility, a structural feature of the domestic market. Monitoring of exposure limits and mark-to-market movements is conducted daily, with escalation mechanisms in place for exceptional variances. These practices operate within an established Board-approved framework, and continued adherence to these controls remains essential from a fiduciary-risk standpoint, given the inherent cyclicality of market-linked income.

**Liquidity Risk** AHL maintains a strong liquidity profile, supported by sizeable high-quality liquid assets and reliable short-term funding access. As of September 30, 2025, current assets expanded significantly to PKR 9.10bn (June 2025: PKR 6.86bn), driven by higher short-term investments and cash balances. Cash and bank balances stood at PKR 5.70bn (June 2025: PKR 3.73bn), providing a sizeable liquidity buffer relative to operational requirements. Current liabilities totalled PKR 7.24bn, of which PKR 928.90mn represented short-term secured borrowings utilised primarily for working-capital management and settlement-cycle efficiency. Liquidity coverage remains adequate, supported by strong client receivable turnover, availability of unutilized banking lines, and a conservative approach to leverage. The Company's liquidity risk is further mitigated by its ability to rapidly convert short-term investments into cash under stressed conditions.

**Capitalization** AHL's capitalization profile strengthened during FY25 and into 1QFY26, supported by consistent earnings retention and a disciplined balance-sheet stance. Total equity increased to PKR 2.17bn as of September 30, 2025 (June 2025: PKR 1.93bn), enhancing the Company's loss-absorption capacity and providing a stable foundation for business operations. Regulatory capital adequacy remained comfortably above required thresholds. The Liquid Capital Balance (LCB) improved to PKR 1,375.80mn as of September 30, 2025 (June 2025: PKR 1,233.83mn), reflecting stronger liquidity buffers, higher cash holdings, and effective working-capital management. The upward trajectory of LCB reinforces AHL's ability to absorb market shocks and meet settlement-cycle obligations without dependence on volatile funding sources.

# THE PAKISTAN CREDIT RATING AGENCY

Arif Habib Limited  
PUBLIC LISTED LIMITED  
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

Sep-25 FY26 3M Management	Jun-25 FY25 12M Audited	Jun-24 FY24 12M Audited	Jun-23 FY23 12M Audited
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BALANCE SHEET				
1 FINANCES	263.07	278.82	121.91	134.89
2 INVESTMENTS	2,216.77	1,221.60	1,006.75	4,416.30
3 OTHER EARNING ASSETS	151.84	46.24	33.24	33.38
4 NON-EARNING ASSETS	6,805.19	5,630.49	5,020.48	3,193.15
5 NON-PERFORMING FINANCES-net	-	-	(962.26)	-
<b>TOTAL ASSETS</b>	<b>9,436.88</b>	<b>7,177.15</b>	<b>6,182.39</b>	<b>7,777.73</b>
6 FUNDING	994.35	928.26	739.32	1,649.84
7 OTHER LIABILITIES (NON-INTEREST BEARING)	6,270.40	4,323.15	3,714.05	1,068.32
<b>TOTAL LIABILITIES</b>	<b>7,264.75</b>	<b>5,251.41</b>	<b>4,453.37</b>	<b>2,718.17</b>
<b>TOTAL EQUITY</b>	<b>2,172.14</b>	<b>1,925.74</b>	<b>658.52</b>	<b>661.24</b>

  

INCOME STATEMENT				
INCOME				
1 FEE BASED INCOME	423.83	1,431.15	1,438.38	1,034.87
2 OPERATING EXPENSES	(355.05)	(1,580.69)	(1,017.27)	(672.36)
3 NON-FEE BASED INCOME	197.64	1,211.03	442.24	518.92
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>266.42</b>	<b>1,061.49</b>	<b>863.36</b>	<b>881.43</b>
4 FINANCIAL CHARGES	(27.25)	(85.57)	(619.17)	(637.89)
<b>PRE-TAX PROFIT</b>	<b>298.46</b>	<b>1,351.38</b>	<b>244.08</b>	<b>254.88</b>
5 TAXES	(52.07)	(372.12)	(69.43)	(84.72)
<b>PROFIT AFTER TAX</b>	<b>246.39</b>	<b>979.26</b>	<b>174.66</b>	<b>170.15</b>

  

RATIOS				
BUSINESS SUSTAINABILITY				
1 PRE-TAX MARGIN	0.70	0.94	0.24	0.34
2 EBITDA MARGIN	0.77	1.00	0.88	1.18
3 EBIT RETURN ON ASSETS	0.18	0.22	0.12	0.10

  

FINANCIAL SUSTAINABILITY				
1 TOTAL INVESTMENTS / EQUITY	1.02	0.63	1.53	6.68
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.63	0.64	1.00	2.69
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.24	0.16	0.12	0.51
4 TOTAL DEBT / TOTAL ASSETS	0.10	0.13	0.12	0.21

### Broker Fiduciary Rating Scale & Definitions

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

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

<p><b>Outlook (Stable, Positive, Negative, Developing)</b></p> <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><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the rating remains suspended for six months, or/and d) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**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.

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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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