



The Pakistan Credit Rating Agency Limited

**Rating Report**

**Adam Securities Limited - BFR**

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Rating History				
Dissemination Date	Rating	Outlook	Action	Rating Watch
11-May-2026	BFR 2	Stable	Initial	-

Factor	Comment
<b>Ownership</b>	Adam Securities Limited ('ASL' or the 'Company') is closely held by Ms. Iqra Noman (50.0%) and Mr. Noman (48.9%), ensuring concentrated sponsor alignment.
<b>Governance</b>	The Board of ASL comprises five members, including the CEO and two independent directors. Three board committees are in place, each chaired by an independent director, ensuring sound governance and effective decision-making.
<b>Management and Client Services</b>	Led by a CEO with over 28 years of banking and Islamic finance experience. Client servicing is supported by VisionMax ERP platform, catering to a substantial retail and institutional client.
<b>Internal Controls and Regulatory Compliance</b>	Control framework is mature, featuring offsite backups, formal KYC/CDD policies, and full implementation of AML/CFT guidelines per SECP requirements. An established Audit and Risk Management Committee reinforces functional independence.
<b>Business Sustainability</b>	The Company maintains sound market presence, reporting brokerage income of ~PKR 169.7mln in 9MFY26 alongside an active ready-future trading desk. Proprietary investments stood at ~PKR 1.5bln as of Mar'26, representing ~71% of equity, though market risk is substantially mitigated by the hedged nature of ready-future transactions and fixed-income fund allocations.
<b>Financial Sustainability</b>	Liquidity indicators remain strong. As of Mar'26, the equity base expanded to PKR 2.07 billion (Dec'25: PKR 1.93 billion), supported by a virtually debt-free balance sheet with no short-term running finance outstanding at quarter-end. Financial flexibility is further underpinned by a liquid asset buffer of PKR 1.69 billion and sustained profitability, with profit after taxation of PKR 328.3 million for the quarter, reinforcing the Company's strong financial profile.

**Key Rating Drivers**

Fiduciary practices across client servicing, compliance, and core risk oversight remain integral to the control architecture, with incremental enhancements expected to further strengthen the overall governance and risk-management environment. Going forward, deepening management capacity, refining internal control mechanisms, incrementally strengthening client-protection, improving grievances mechanisms and conflict-management frameworks will remain important for sustaining and improving the fiduciary profile.

Disclosure	
<b>Name of Rated Entity</b>	Adam Securities Limited - BFR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Broker Fiduciary Rating (BFR)
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-25),Assessment Framework   Broker Fiduciary Rating(Jan-26)
<b>Related Research</b>	Sector Study   Brokerage Firms(Feb-26)
<b>Rating Analysts</b>	Amna Akmal   amna.akmal@pacra.com   +92-42-35869504

## Profile

**Background** Adam Securities Limited (“ASL” or “the Company”) is a Pakistan-based financial brokerage and investment services firm, offering advanced trading facilities in the capital markets. The Company was incorporated in 2001 as a private limited company and was subsequently converted into a public unlisted company in 2016. ASL operates through its head office in Karachi and is a Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange. The Company is also a member of the Pakistan Mercantile Exchange, enabling it to participate in commodity trading alongside its core brokerage activities.

**Operations** ASL operates across various segments of Pakistan’s capital markets, with a primary focus on securities brokerage and investment in listed equities. The Company serves a diverse client base, including institutional, corporate, high-net-worth, and retail investors. ASL is registered with the Securities and Exchange Commission of Pakistan as an underwriter, book runner, and advisor, supporting capital market transactions and reinforcing its diversified presence in the financial services sector. Additionally, the Company acts as an Authorized Participant and Market Maker for multiple Exchange Traded Funds (ETFs), including those offered by UBL Fund Managers, Meezan Investment Management Limited, Mahana Wealth, and JS Investments Limited, and also participates in cash-settled future contracts.

## Ownership

**Ownership Structure** The Company has a concentrated ownership structure, with the principal sponsor, Iqra Noman, holding a majority stake of 50.0%, while Noman (Director/Sponsor) holds a significant share of 48.87%. The remaining equity is distributed among other board members, including Samina Majeed (Director) with approximately 1.13%, along with Muhammad Aftab Haji Ghani (CEO/Director), Muhammad Umair (Independent Director), and Zafar Iqbal Hussain (Independent Director), each holding nominal shareholdings. The Company also has a defined succession planning framework in place to ensure continuity of leadership and a smooth transition of management responsibilities.

**Stability** ASL benefits from a family-owned structure, with key sponsors holding a majority stake and demonstrating a strong commitment to the business.

**Business Acumen** The sponsor group is led by Mr. Noman, who serves as Director and heads the Company’s securities brokerage division. With over 10 years of experience in securities markets, international markets, and commodities, he oversees key functions including research, institutional business, compliance, and the back-office operations. He holds a graduation degree from the University of Karachi. Mr. Muhammad Aftab Haji Ghani, the Chief Executive Officer, brings over 28 years of banking experience. He holds a postgraduate degree in Islamic Banking and Finance from the University of Karachi and has previously served at United Bank Limited as Manager Islamic Window and Assistant Vice President from 2011 to 2020.

**Financial Strength** The Company is backed by financially strong sponsors who possess substantial net worth, reflecting their strong capacity to support the business and ensure its stability. This strong sponsor strength provides a solid financial foundation and reinforces confidence in the Company’s long-term sustainability and growth prospects.

## Governance

**Board Structure** The Board of the Company comprises five members, including the Chief Executive Officer. The Board includes two executive directors, one non-executive director, and two independent directors, thereby ensuring an appropriate balance between executive management and independent oversight in line with sound governance practices.

**Members’ Profile** The Board of ASL comprises experienced professionals with diverse expertise across banking, capital markets, finance, and audit. **The Chief Executive Officer, Mr. Muhammad Aftab Haji Ghani**, holds a postgraduate degree in Islamic Banking and Finance from the University of Karachi and brings over 28 years of banking experience, having previously served at United Bank Limited in senior roles including Manager Islamic Window and Assistant Vice President. **Mr. Noman Abdul Majeed (Sponsor/Director)**, has over 10 years of experience in securities markets, international markets, and commodities, and leads the Company’s brokerage division overseeing research, institutional business, compliance, and back-office operations. **Ms. Samina Majeed, (Non-Executive Director)**, has more than 18 years of experience in portfolio management within the Pakistan Stock Exchange Limited. **Mr. Muhammad Umair (Independent Director)**, brings over 15 years of experience in finance, accounts, and internal audit and holds a commerce degree from the University of Karachi. Similarly, **Mr. Zafar Iqbal Hussain (Independent Director)**, is an MBA graduate with over 15 years of professional experience in finance, accounts, and audit functions.

**Board Effectiveness** The Board demonstrates strong governance through its three key committees namely the Audit & Risk Management Committee, Human Resource & Remuneration Committee, and Investment Committee, each chaired by an independent director and comprising experienced members. These committees provide effective oversight of financial reporting, risk management, human resource policies, and investment decisions, highlighting a strong governance framework and strong board supervision.

**Financial** The Company maintains a strong commitment to financial transparency, supported by the appointment of Baker Tilly as its external auditor. Baker Tilly is an A-category rated audit firm on the State Bank of Pakistan (SBP) panel, reflecting high standards of audit quality and regulatory compliance. This ensures that the Company’s financial statements are independently reviewed and presented fairly in accordance with applicable accounting and regulatory requirements.

## Management And Client Services

**Organizational Structure** The Company operates under a structured framework. The Chief Executive Officer (CEO) manages overall operations, while the Head of Internal Audit and Head of Compliance report directly to the Board to ensure independent control functions. Key departments under the CEO include Settlement & CDC, Finance (CFO), Information Technology, Research, Sales, and Risk Management & Operations. The Finance function oversees Accounts & Finance activities. The Research and Sales teams are supported by dedicated operational staff, including analysts, traders, and executives. This structure ensures clear reporting lines, operational efficiency, and strong governance.

**Management Team** The senior management comprises a team of experienced professionals across key functional areas, reflecting a strong operational framework. **Mr. Muhammad Aftab Haji Ghani**, Chief Executive Officer, brings over 28 years of experience and reports to the Board of Directors. **Mr. Muhammad Rizwan**, Chief Financial Officer, possesses around 20 years of relevant experience and also serves as Head of Compliance, with reporting lines to both the CEO and the Board. **Mr. Rehan Sultan**, Chief Operating Officer, has approximately 30 years of experience, while **Mr. Muhammad Riaz**, Internal Auditor, brings 10–20 years of experience and reports to the Board. **Mr. Muhammad Saeed Khalid**, Head of Research, has around 15 years of experience. Additionally, **Mr. Muhammad Sarfraz**, Head of IT, and **Mr. Muhammad Ayaz Kamal**, Head of Sales, each possess 10–20 years of relevant experience. All functional heads report to the Chief Executive Officer, ensuring a streamlined reporting structure and effective management oversight.

**Client Servicing** The Company has established multiple account opening channels to facilitate clients, ensuring ease of access and efficient onboarding. For online trading, it utilizes VTrade software by VisionMax (Pvt.) Limited, enabling seamless and efficient trade execution. The Company also provides research reports for client awareness, which include morning briefings, sector reports, economy reports, federal budget, market summary, and market updates.

**Complaint Management** The Company maintains an accessible complaint management system, offering multiple channels including SMS, email, phone calls, and its website, through which clients can register their concerns. This reflects the Company's commitment to service quality and client protection. A formal Complaint Handling, Client Dispute, and Resolution Policy is also in place to ensure timely and effective resolution of client issues.

**Extent Of Automation / Integration** The Company has implemented the VisionMax software platform for both its back-office operations and Order Management System (OMS). The system is designed to generate timely and accurate reports, thereby enhancing overall operational efficiency. Offsite backups are maintained under the Company's control to ensure business continuity and regulatory compliance.

**Continuity Of Operations** The Company has developed a comprehensive disaster recovery plan to ensure seamless business continuity in the event of a disaster. The plan outlines clear protocols for quick recovery and minimal disruption. Additionally, the Company maintains daily backups, ensuring data integrity and the ability to swiftly restore operations if needed.

## Internal Controls And Regulatory Compliance

**Risk Management Framework** The Company has established a dedicated Risk Management Committee at the Board level, chaired by an independent director, to oversee and assess the organization's risk appetite, policies, and control environment. The Committee plays a key role in ensuring that risk management practices remain aligned with the Company's strategic objectives. In addition, the Company maintains an in-house internal audit function for strengthening the overall effectiveness of its risk management framework.

**Regulatory Compliance** The Risk Management & Compliance Department oversees controls and systems to ensure adherence to established policies and procedures, enabling timely identification of issues and safeguarding operations. It also maintains and implements comprehensive KYC, CDD, and AML/CFT frameworks in line with guidelines issued by the Securities and Exchange Commission of Pakistan.

## Business Sustainability

**Operating Environment** The performance of the brokerage sector remains closely linked to the macroeconomic indicators of the country. The sector continues to exhibit inherently high business risk due to its cyclical nature, fragmented structure, intense competition, and stringent regulatory oversight. During 9MFY26 (up to Mar'26), the KSE-100 Index demonstrated overall strong performance with periods of sharp volatility. The market experienced significant intra-period fluctuations, with the index trading in the range of approximately 145,000 to 155,000 levels during March 2026 trading sessions, reflecting intermittent correction phases following earlier gains. Overall, 9MFY26 performance remained positive, supported by sustained investor participation and improving liquidity conditions, although periodic corrections were observed due to profit-taking activity, geopolitical tensions, and global commodity price volatility. Market performance during 9MFY26 was supported by easing monetary expectations, relative exchange rate stability, and continued progress under Pakistan's IMF-supported reform framework. Improvement in external account indicators, particularly remittance inflows, contributed to stabilizing investor sentiment. However, market volatility persisted due to inflationary pressures, fiscal consolidation measures, and global oil price fluctuations, which intermittently impacted risk appetite. The IPO market remained active during 9MFY26, with continued equity capital raising activity through IPOs and rights issues across multiple sectors. While issuance activity reflected improved investor participation compared to the prior year, the overall primary market remained selective, with listings primarily concentrated in financial services, energy, and corporate sectors. This indicates a gradual recovery in capital market depth, supported by improving liquidity conditions. Going forward, IPO activity is expected to remain stable to moderately strong for the remainder of FY26, supported by improving macroeconomic stability, relative attractiveness of equity valuations, and continued investor participation in Pakistan's capital markets. However, key downside risks remain, including exchange rate volatility, inflationary pressures, and political uncertainty, which may impact market sentiment. Despite these risks, the improving macroeconomic outlook and external stability are expected to provide continued support to equity market activity over the near to medium term.

**Performance** Total revenue for 9MFY26 stood at PKR 554.9 million, reflecting a strong increase from PKR 423.0 million in the comparable period last year, primarily driven by higher capital gains and brokerage income. Profit after tax reached PKR 328.3 million, while profit before tax stood at PKR 331.6 million, indicating solid profitability despite market volatility. Administrative and finance costs aggregated to PKR 251.1 million, translating into a cost-to-income ratio of ~45%, showing improved operational efficiency. Brokerage income increased to PKR 169.7 million (9MFY25: PKR 121.4 million), reflecting heightened trading activity and improved client flows. Capital gains contributed PKR 374.2 million, remaining the dominant revenue driver. Overall profitability improved on a YoY basis due to stronger market performance and higher trading volumes. Return indicators remain strong, with ROAE and ROAA (annualized) estimated at strong levels, reflecting efficient utilization of equity and assets.

**Strategy** Going forward, the Company plans to expand its client base through digital onboarding initiatives, particularly by leveraging the Central Depository Company of Pakistan platform Asaan Connect, which is expected to streamline account opening and enhance customer acquisition. In parallel, the Company intends to further strengthen its investment portfolio by increasing exposure to ready future transactions and expanding allocations toward mutual funds, aiming to optimize returns while maintaining a balanced risk profile.

## Financial Sustainability

**Credit Risk** As of Mar'26, trade receivables increased significantly to PKR 243.3 million (Mar'25: PKR 70.0 million). This rise is primarily due to clearing house receivables of PKR 193.5 million, representing settlement balances linked to trading activity. These exposures are considered low-risk given their association with regulated institutional counterparties. Client receivables stood at PKR 49.8 million, which remain manageable relative to the Company's equity base.

**Market Risk** Short-term investments stood at PKR 1,468.6 million as at Mar'26, comprising: Listed equity securities: PKR 755.4 million Investment in Mutual Funds: PKR 254.6 million Investments in MF & MTS: PKR 458.6 million A significant portion of equity exposure is linked to ready future transactions, which are typically hedged, thereby reducing net directional market risk. Additionally, mutual fund investments are largely tilted toward fixed-income instruments, providing stability. Margin financing exposure remains limited, indicating low leverage-driven risk. Overall, despite sizeable exposure to equities, the risk is mitigated through hedging and asset allocation, and the market risk profile is assessed as moderate to contained.

**Liquidity Risk** The Company maintains a strong liquidity profile. As of Mar'26, liquid assets, including cash, bank balances and short term investments, amounted to approximately PKR 1,689.3 million, excluding certain deposits, while total liquid resources including deposits exceed PKR 2.1 billion. Cash and bank balances increased to PKR 220.7 million compared to PKR 140.2 million in the corresponding period last year. The current ratio improved to approximately 6.0x based on current assets of PKR 2.42 billion versus current liabilities of PKR 404.2 million, reflecting significant liquidity headroom. Overall, liquidity remains a key rating strength, supported by no reliance on external borrowings and strong asset coverage.

**Capitalization** The Company's equity base strengthened materially to PKR 2,068.7 million as at Mar'26, compared to PKR 1,598.2 million in Mar'25, driven primarily by retained earnings of PKR 1,065.8 million. Paid-up capital remains at PKR 1,000.0 million, indicating strong internal capital generation. The Company's Liquid Capital Balance (LCB) stood at PKR 1,324 million as at Mar'26, reflecting a comfortable cushion above regulatory requirements and supporting its overall financial strength. Leverage remains low and conservative, with total liabilities at PKR 404.2 million, translating into a leverage ratio of approximately 0.20x, significantly improved from last year. Notably, short-term running finance has been fully repaid, with a nil balance compared to PKR 313.7 million in Mar'25, reflecting prudent financial management. The revaluation surplus remains minimal at PKR 2.9 million and does not materially impact capital quality.

**THE PAKISTAN CREDIT RATING AGENCY**

Adam Securities Limited  
PUBLIC LISTED LIMITED  
FINANCIAL SUMMARY

FS PRINT MODE                      DISABLED

Mar-26 FY26 9M Management	Jun-25 FY25 12M Audited	Jun-24 FY24 12M Audited	Jun-23 FY23 12M Audited
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**BALANCE SHEET**

1 FINANCES	458.58	-	-	-
2 INVESTMENTS	1,011.03	1,910.90	1,325.73	1,150.79
3 OTHER EARNING ASSETS	220.23	169.29	170.30	17.37
4 NON-EARNING ASSETS	783.06	738.16	162.71	93.27
5 NON-PERFORMING FINANCES-net	-	-	-	-
<b>TOTAL ASSETS</b>	<b>2,472.90</b>	<b>2,818.34</b>	<b>1,658.75</b>	<b>1,261.43</b>
6 FUNDING	-	593.82	78.04	11.49
7 OTHER LIABILITIES (NON-INTEREST BEARING)	404.22	484.13	258.73	42.29
<b>TOTAL LIABILITIES</b>	<b>404.22</b>	<b>1,077.95</b>	<b>336.76</b>	<b>53.77</b>
<b>TOTAL EQUITY</b>	<b>2,068.68</b>	<b>1,740.39</b>	<b>1,321.99</b>	<b>1,207.66</b>

**INCOME STATEMENT  
INCOME**

1 FEE BASED INCOME	169.72	162.38	89.65	48.37
2 OPERATING EXPENSES	(225.75)	(196.38)	(166.19)	(113.16)
3 NON-FEE BASED INCOME	385.18	-	-	-
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>329.15</b>	<b>(34.00)</b>	<b>(76.53)</b>	<b>(64.79)</b>
4 FINANCIAL CHARGES	(25.32)	(33.15)	(29.45)	(10.51)
<b>PRE-TAX PROFIT</b>	<b>331.56</b>	<b>426.19</b>	<b>116.49</b>	<b>177.40</b>
5 TAXES	(3.27)	(7.79)	(2.16)	(5.85)
<b>PROFIT AFTER TAX</b>	<b>328.29</b>	<b>418.40</b>	<b>114.33</b>	<b>171.56</b>

**RATIOS  
BUSINESS SUSTAINABILITY**

1 PRE-TAX MARGIN	1.95	2.62	1.30	3.67
2 EBITDA MARGIN	2.10	2.83	1.63	3.88
3 EBIT RETURN ON ASSETS	0.19	0.21	0.10	0.15

**FINANCIAL SUSTAINABILITY**

1 TOTAL INVESTMENTS / EQUITY	0.49	1.10	1.00	0.95
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.64	0.66	0.77	0.76
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.50	0.74	0.90	0.93
4 TOTAL DEBT / TOTAL ASSETS	-	0.21	0.05	0.01

## 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".

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(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

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(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)

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(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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