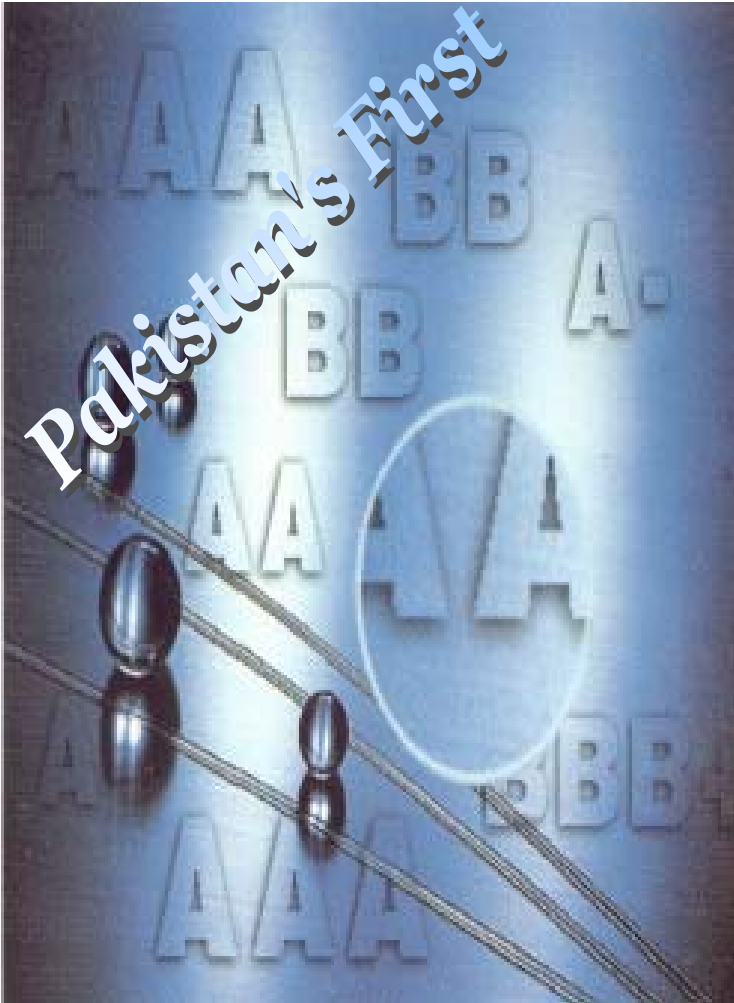




The Pakistan Credit Rating Agency (Pvt) Limited

PACRA News

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TEXTILE SECTOR REVIEW

1. THE TEXTILE INDUSTRY

1.1 The textile sector forms the backbone of the economy and has the potential of being the key driver of an economic upturn, despite a less than adequate performance over the past five decades. Although the textile sector constitutes 46% of the overall manufacturing activity in the economy, its share in the GDP is only 9%. Textile exports constitute 68% of the country's exports in terms of value. While traditionally the bulk of exports have comprised low value-added products like raw cotton, yarn and grey cloth, the trend is gradually inclining towards more value-added products. Pakistan has emerged as one of the largest cotton textile products supplier in the world market with a 30% share in the world yarn trade and 8% in the cotton cloth trade. The Government of Pakistan (GOP) has also realized that in order to revitalize the economy, fresh investment would have to converge towards the textile sector. With this predisposition, during FY01, the GOP came up with a detailed vision statement titled Textile Vision 2005. This document provides a roadmap to propel the sector towards international integration through growth in the value-addition segments, projected to bring about an upsurge in the apparel and woven garments exports. Ultimately, the implementation of this plan is expected to prepare Pakistan for the phase-out of the Multi-Fibre Arrangement (MFA) scheduled to be effective from January 2005 under the WTO protocol. As part of this plan, the textile sector has invested heavily in BMR for improving production quality and moving towards value-addition. However, the uphill task has only begun and there is a long way before the country is well equipped to meet the challenges of the post-quota regime.

2. BUSINESS ISSUES

2.1 *The Market Mechanism:*

2.1.1 The overall performance of the textile industry is largely dependent upon the size of the cotton crop, albeit with varying degrees of impact across the sub-sectors. At the lowest level of value-addition, ginning has the strongest link with the cotton crop, while spinning and weaving take the advantage of carried-forward stocks and imported raw cotton and yarn. On account of adverse weather conditions and less acreage than targeted during the last fiscal year, the cotton crop could not meet its target of 10.5 million bales and closed at 10.2 million bales only¹. As industry consumption capacity has increased over the past few years on account of regular BMR&E, significant quantities of cotton would have to be imported. Going forward, the target for the fiscal year 2003-04 is set at 10.55 million bales.

2.1.2 As part of the FY01 cotton policy announced by the GOP, a support price for cotton was introduced and Trading Corporation of Pakistan (TCP) was brought in as a second buyer, should the market price fall below the benchmark price. Despite the existence of the support price mechanism, the textile producers have the discretion to procure cotton from local as well as international sources, in the absence of any import duties. This provides hedges in margins in the entire chain of cotton and textile production against volatility in local cotton prices. Moreover, cotton procurement has changed into a seasonal market, whereas earlier it could be purchased throughout the year. This has implications on the gearing, as the companies need massive financing for the purchase of cotton. However, as local cotton is available for a limited period only, the factors governing the choice between international and local sources may, *inter alia*, include the pattern of cotton requirement throughout the year, available storage conditions and facilities, and the company's financial capacity to hold large inventories.

2.1.3 During FY03, the textile sector demonstrated greater resilience to lower cotton crop and performed well in terms of production. Following a difficult period since September 2001 owing to global recession, increased insurance charges due to war, decreased international prices and strengthening of the Rupee against the US Dollar, the industry finally started to recover from 4Q02. The performance improved as a result of higher market access to the EU and the US, revival of ERF scheme and decline in interest rates, although cotton prices stood firm for the most part of the year. In the beginning of calendar year 2003, polyester yarn and cotton yarn prices attained historic highs in the domestic market. As a result, exporters found it difficult to fulfil their export contracts, prices of which had been agreed six months earlier. While the prices of cotton yarn escalated corresponding to a hike in raw cotton prices on report of a short cotton crop and increased mill demand, prices of polyester yarn spiralled in response to an unprecedented increase in the local PSF prices due to an

¹ This is the official figure quoted by the Economic Survey of Pakistan 2002-2003 and endorsed by APTMA. Conversely, the Pakistan Cotton Ginnery Association (PCGA) puts the 2002-2003 cotton production figures at 9.7 mln bales. The two bodies – APTMA and PCGA – have conflicting interests, the former being buyers and the latter sellers. APTMA members have an interest in keeping arrival figures high in order to put pressure on prices, while the ginnery desire low output statistics to propel prices upwards. In order to maintain reliability of the cotton statistics, the GOP must entrust the task of crop data collection and tabulation to an impartial body.

upsurge in crude oil prices in the backdrop of the Iraq crisis. Subsequently, with growing apprehension about the length of the war, regardless of a heavy supply gap, the demand for cotton and yarn declined as the spinners anticipated a decline in the country's foreign trade volumes. As a result, the cotton and yarn prices started to ease – albeit with cotton prices still remaining on the higher side throughout the year. Although the war in Iraq ended, the SARS epidemic began taking its toll on the cotton and textile trade. Given the ensuing slackness in the export orders, there has been massive stock accumulation of yarn locally, which on the one hand, exerts pressure on the yarn prices and on the other, exacerbates the liquidity position of exporters. Following from this situation is the inventory build-up of cotton with ginners who are resisting further decline in cotton prices. The TCP has recently decided to step in with a support price of Rs 1800 per maund. However, the ginners are unhappy with the quoted price and are opting to hold on to the stocks. Meanwhile, taking advantage of the decline in the world cotton prices, the local spinners are also procuring imported cotton for remote shipments. However, as most spinners complete their cotton buying by March, there is no urgent demand for cotton and hence, no panic buying in the market. Consequently, some of the unsold cotton stocks from last year could be carried forward to the next season.

2.1.4 As the crude oil prices have now returned to normal levels, regional prices of PSF raw materials have also eased. Domestic PSF manufacturers have reversed the PSF prices to previous levels through a series of downward revisions in order to revive the downstream textile industry, which saw a considerable decline in demand due to the Iraq war.

2.1.5 The global cotton prices consolidated to some extent in FY03 as world cotton consumption exceeded world production. The rise in cotton prices is likely to lead to increased world production in FY04. According to the August 2003 press release of the International Cotton Advisory Committee, international cotton production during 2003-04 is expected to increase by 7% to 20.49 tons compared to 9.14 tons during the previous year. Nonetheless, global consumption projected at 21.23 tons is to outpace production by 0.74 tons, thereby causing world cotton ending stocks to shrink to 8.07 tons. On the back of the global demand-supply estimates, the Cotlook A Index (benchmark measure of international cotton prices) is anticipated to average 61 cents/lb during 2003-04, 9.5% higher than last year. Prices are expected to move up on the back of significant increase in consumption by China.

2.1.6 Domestic cotton procurement prices have depicted an upward trend during FY03 on the combined effect of higher mill demand, flat domestic production and surge in international prices. Going forward, cotton prices are to remain firm on concerns of lower FY04 domestic production (ensuing from recent rains) and the broader demand supply scenario.

2.1.7 Owing to the commodity nature of yarn and grey cloth, there is generally little scope of product differentiation. As such any variation in international price trends has a direct impact on sales revenue. Although commodity prices are less volatile than higher value-added made-ups like designer garments, international price fluctuation remains an important and uncontrollable risk factor in textile exports.

2.1.8 The All Pakistan Textile Manufacturers Association – APTMA – continues to protest the high level of protection provided to the manufacturers of polyester staple fibre (PSF). APTMA's contention is that because of high cost maintained by the local manufacturers of polyester fibre, the textile industry could not enhance polyester consumption, which had been stagnating at 18 to 20 per cent for the last many years against the world standard of 50:50 with raw cotton consumption. It, therefore, demands a free market mechanism for man-made fibres also, so that the existing manufacturing capacities would be fully utilized and would generate more exportable surplus. The PSF manufacturers, on the other hand, contend that the PSF sector has been able to invest massively in capacity enhancements and establishment of a PTA plant only because protection was provided to this sector. The strategy was aimed at achieving self-sufficiency in PSF to insulate the domestic consumers from volatility of prices of man-made fibre. Moreover, analysis of prices of locally manufactured PSF indicates strong correlation between domestic prices and its global prices. Since the prices of two basic raw materials, PTA and MEG, are dependent on the movement of crude oil prices, local manufacturers also have to adjust prices accordingly.

2.1.9 Due to inconsistent quality standards of Pakistani exports, the importing countries enjoy supremacy when it comes to negotiating prices of these products. Locally produced cotton may have a contamination factor as high as 18% and some exporters even indulge in unethical practices like altering the weight of the bales by making them damp. Due to such practices, Pakistani cotton is generally believed to be of inferior quality and does not fetch as high a price as do other countries' exports. As quality standards are perceived to be a significant non-tariff barrier subsequent to the MFA phase-out, the GOP has decided to involve local and foreign private inspection companies for grading of cotton in accordance with international standards. In addition, the Cotton Standardization Ordinance 2002 has been promulgated in October 2002, which establishes and authorizes the Pakistan Cotton Standards Institute (PCSI) to regulate and monitor quality control practices in the ginning sector. The PCSI has evolved guidelines to achieve the goal of producing contamination-free cotton in Pakistan, as part of which the Cotton Grading and Standardization Scheme has been implemented at the ginning stage, which would go a long way in bringing overall improvement in lint quality. The GOP has also initiated a clean cotton campaign, under which incentives are offered to the farmers to produce cleaner cotton. The TCP procures the clean cotton

on behalf of the Government and gives the ginner a premium above the market price, which is inversely proportionate to the contamination content.

2.2 The MFA phase-out:

2.2.1 Subsequent to the imminent phase-out of MFA in January 2005, the removal of quotas along with zero-rated duty imports would attract value-based competition, and hence lead to freer trade of textile products. Conversely, the end of the quota regime may also trigger other non-tariff barriers such as those based on regional alliances, quality standards or environmental and child labour issues. Given this outlook, countries like Pakistan are potentially exposed to a competitive disadvantage emanating from deficiencies in technology, market expertise and quality control. The domestic textile industry is, therefore, in dire need to remain competitive and alert to market dynamics. This would entail a shift of production from coarse counts and grey fabrics to value-added made-ups and garments, along with substantial investment in BMR&E of existing facilities in order to raise the machine and labour productivity. Also, within the basic textile industry, specialization would be the key to prosperous survival. In addition, exporters must identify new markets and capture strategic alliances with major import organizations in key importing countries.

2.2.2 The quota regime has been in existence for over 30 years now, and quotas have been allocated to various exporting countries through bilateral negotiations on the basis of performance and capability. In Pakistan, the allocated quota is auctioned by the GOP to various exporters, who then trade them amongst themselves. However, unethical practices by large exporters and speculators involving hoarding of quotas and inflating of prices artificially have effectively obstructed the development of the small exporter. Nevertheless, subsequent to the MFA phase-out, the exporters are poised for a level playing field. Not only would the working capital requirements decline for the exporters – as they would not need to block their resources in quotas – there would also be open competition which would lead to improved efficiencies and development of strategic advantages.

2.3 Textile Vision 2005:

2.3.1 As mentioned earlier, the GOP's Textile Vision 2005 plans to steer the sector towards international integration and prepare Pakistan for the MFA phase-out. The Vision projects the following:

- Textile exports would reach US\$ 13,815mln in 2005.
- Consumption of cotton will increase to 15 million bales per annum by 2006-2007.
- Garments and made-ups would comprise 60% of the textile exports while the rest would be covered by yarn and fabrics.
- An aggregate investment of US\$ 6bln is targeted for the sector, spread over five years as follows:

FY	Investment (US\$ mln)
2001	743
2002	1,043
2003	1,588
2004	1,396
2005	1,396
Total	6,167

Of this US\$ 6 bln, following is the planned investment composition according to sub-sectors:

Sub-sector	Investment (US\$ mln)
Stitching	722
Knit-processing	130
Knitting	537
Weaving Air-jet looms	741
Weaving Water-jet looms	741
Polyester Fibre	537
Spinning	1,611
Processing	1,148
Total	6,167

2.3.2 In the last three years, more than US\$ 1.5bln has been invested in the BMR&E of textile units against \$ 3bln projected under the Vision. However, the encouraging aspect is that investment of about US\$ 1bln was made in FY03 alone, signifying a remarkable acceleration of investment activity. It is expected that the next three years will witness private sector investment of over US\$ 2bln in the textile industry. Until FY02, the better part of this investment had been consumed for simple multiplication of spindles rather than development of value-added facilities. However, FY03 saw a substantial investment in the value-addition sector too – although capital spending in the basic sectors remained lavish. The Textile Vision 2005 maintains that at the initial stage, heavy investment would be needed to create additional capacity in the apparel industry, as the apparel sector has only received 36% of the targeted investment so far. The bulk of the investment – about 56% – has gone to the spinning sector which is three times higher than that envisaged in the Textile Vision 2005. Even though heavy investment has been projected in the spinning sector so as to create a processing capacity of 13-15 million bales of cotton, it was supposed to materialize from 2003 onwards. A positive investment pattern is visible in the air jet weaving segment where the actual disbursement surpassed the target by a decent margin of 55%. Yet, this accomplishment is eclipsed by the fact that there has been negligible outlay in the water jet weaving sector, which has the potential to play an instrumental role in providing high quality synthetic fabrics to the apparel sector for penetration in the global woven women wear markets.

2.3.3 The Textile Vision 2005 also enumerates certain key policy decisions taken by the Federal Textile Board for the industry, which *inter alia* include: free availability of inputs to the sector; campaign to produce contamination-free cotton; establishment of cotton hedge markets; technology advancement of ginning; upgrading of the power loom weaving sector; promulgation of Anti-dumping Ordinance; export rebates for synthetics; and enhanced market access to EU and US with lower import duties and increase in quota limits. Despite these strategic measures, the export performance still falls short of expectations as outlined in the Vision document. While a great deal of emphasis has been laid on the need to diversify geographically towards non-quota markets including Japan, Middle East and Hong Kong, the same has not materialized and the sector continues to depend heavily on the quota markets, *viz.*, the US and the EU countries. Moreover, the share of polyester staple fibre in total mill consumption has not exhibited any noteworthy growth as envisaged by the Vision. At the same time, the export growth in the textile sector as per Textile Vision 2005 is driven by increase in unit price realization in each product category, which in fact continues to lag behind the projections. Meanwhile, the Textile Vision 2005 explicitly accentuates the importance of diversification towards women's garments; yet, the garments sector maintains its focus on menswear.

2.3.4 There is continued scepticism about the likelihood of achieving the targets outlined by the GOP. While the Government's policy initiatives do trigger growth in investments, they have so far failed to stimulate diversification of products and investment activity that was the essence of the proposed Vision.

2.3.5 While chalking out the exports growth plan, the Vision optimistically overlooks one important aspect of growth: the length of the learning curve in the move up the ladder of value-addition. The document fails to incorporate that the strategy of discouraging export of yarn and other low value-added products may backfire as these products form a very sizeable portion of Pakistan's exports and the producers would not be able to switch overnight to the production of more lucrative higher-value exports without first enhancing their technological, human and financial resources. Moreover, certainly the margins in the value-added sector are higher than the basic sector, but they only start generating once the learning curve is successfully completed which may take a number of years. And during the interregnum, margins might actually decline. In essence, it is primarily the demand-supply situation within a particular sub-sector that governs the margins and not whether that sub-sector belongs to the basic or the ancillary textile industry.

2.4 Regulatory Environment:

2.4.1 Traditionally, Pakistani exporters are confronted with a squeeze on their working capital funding, as their resources are blocked in sales tax and income tax refunds due from the Government. While the first quarter of the financial year witnesses all the cotton buying with payment of due sales tax and income tax to CBR, the refunds normally take months. This puts pressure on the liquidity position and on costs of the exporters who are forced to borrow short-term to meet their current obligations. On account of repeated appeals to the Government for streamlining the tax regime and collection mechanism, there has been gradual improvement in the timeframe involved. The rules for claiming and receiving refunds have been simplified in order to provide relief to the exporters. As per the Budget 2003-2004, exporters can now obtain refunds in a single instalment within ten days of filing a claim as against the earlier practice of getting multiple instalments over 40 days. Furthermore, all exporters with annual exports of US\$ 5mln or more can now purchase raw materials from a registered vendor without any payment of sales tax by providing a bank guarantee or a certified post dated check.

2.4.2 The Budget 2003-2004 has extended the initial depreciation allowance to used imported plant and machinery in order to facilitate investment spending in the country. Given the increasing export opportunities, significant investment potential exists in the textile sector in the shape of capacity enhancements, which could materialize in response to this new incentive.

2.4.3 With respect to polyester fibre, the textile industry had two demands from the Government to be incorporated in the Budget 2003-2004: firstly, withdrawal of duty on imported PSF, and secondly, its inclusion in the Duty & Tax Remission for Export (DTRE) Scheme¹. While the Government has been unable to even reduce the duty on PSF due to assurance given to the sponsors of Pakistan PTA Limited, the second demand has been accepted. As a result, duty on PSF has no relevance anymore for the exporters. The induction of PSF in the DTRE scheme has provided an opportunity to exporters of textiles and clothing to contain their cost and improve their liquidity position.

2.4.4 APTMA has been voicing its demand for the creation of a separate Textile Ministry in Pakistan, on the ground that while a textile ministry was created in the sixties in India, Bangladesh and Sri Lanka also have textile ministries, regardless of the fact that they are not even cotton producers. Although the formation of the ministry has been proposed at various junctures, it is not entirely clear as to the tangible benefits that are likely to accrue from such a development. If the objective is to ensure that policy-making fully reflects the legitimate interests of all segments of the textile chain, this could be achieved by providing some effective forums and mechanisms under the Ministry of Commerce, the concerned administrative ministry.

2.4.5 The GOP is contemplating issuance of a new Cotton Policy in order to align cotton production practices with national and international needs. A committee comprising crop experts and senior officials of the relevant field has formulated a set of proposals, which include the following:

- The support price mechanism for seed cotton/lint cotton should continue and the TCP may be inducted for market stabilization role as and when needed.
- Marketing of cotton based on staple and grade should be made mandatory to ensure interest among the growers and ginners for producing quality cotton.
- A ginning research institute should be set up.
- In order to promote cotton cultivation in potential areas in Balochistan and NWFP, the Federal Government should continue its support (both technical and financial) to the provincial governments.

Besides, reliable forecasts of the global demand of various types of raw cotton need due consideration while formulating the national cotton production and marketing policies.

Contributed by: Saira Malik, Vice President

¹ The Duty and Tax Remission on Export (DTRE) Scheme allows the import or local procurement of all input goods needed for export production, without payment of customs duty, central excise duty, advance income tax and sales tax. The great advantage of the DTRE scheme is that the exporters neither pay any duties and taxes nor claim any duty drawbacks or refunds of sales tax in which their funds are blocked due to delays in repayments of duties and refunds of sales tax.

REAL ESTATE GRADING

PACRA has decided to launch a system of rating/grading real estate developers and projects. This is proposed to be done in collaboration with a leading engineering consultancy organization in the country.

The Concept

The real estate sector has recently assumed considerable importance in Pakistan with the expectation that this could soon emerge as the critical catalyst for stimulating investment and industrial activity in the country. A number of factors including the high cost of inputs, declining productivity, reduced competitiveness of local industry in the post-WTO setting has discouraged industrial investment in the country. While the financial sector is sitting on a huge pile of funds and the borrowing cost has declined to historical lows, borrowers are few and far between. Under the circumstances, financing of housing projects offers promising prospects. Again, from the perspective of potential house owners, the financing option has become feasible only with the sharp decline in borrowing costs. The tax concessions in the recent budget have provided further incentives to finance house ownership through borrowing. Thus, all the necessary – and sufficient - conditions are in place for stimulating activity in the sector. However, there is one important factor which could discourage both lenders and investors (home owners). This concerns the credibility of developers and the reliability of completing housing projects on time and without cost overruns. This factor assumes greater significance in the backdrop of a number of scams in the recent past relating to property development and housing schemes. What could provide a degree of comfort to lenders and investors? In India, a mechanism, which is being increasingly relied upon, is the grading or rating of real estate developers and projects by recognized credit rating agencies. The real estate sector has traditionally been associated with inadequate information and lack of agreed standards. The PACRA grading, which will be an independent opinion on the relative performance capability of the relevant real estate entity, aims to serve as a tool for identifying and managing risks associated with the concerned entity.

Besides benefiting the sector participants and end users (investors/customers), the grading is designed to provide objective opinions as inputs in the pricing and credit decisions of banks/financial institutions. The grading will not be a recommendation to lend/do business with or not to lend/not to do business with a certain entity/project.

The Benefits

The grading of the real estate developers is designed to make investors (end user/buyer of property) aware of the developer's relative capacity to deliver as per specified terms and quality parameters and transfer of ownership on time. The grading is also expected to facilitate the overall growth of the real estate sector by providing developers with incentives to conform to fair trade practices and legal requirements. A scientifically graded project would lend itself to a more accurate and reliable estimation of risks associated with the real estate project/project promoter. This is expected to enhance the confidence of the end users and provide comfort to lenders of these projects, thereby facilitating the flow of institutional funds to the project/project owner.

The Grade Assessment Process

The assessment process for the real estate developer or the real estate project commences at the request of the respective entity. Once the mandate letter is received, PACRA require, inter-alia, the developer's financial statements, organisational structure and project experience. On receipt of the information, a team of analysts takes up the task of preparing a report on that entity, highlighting its business and financial risks. During this process, support is drawn from the in-house research and database of PACRA. The report prepared by the analysts is presented to the Grading Committee for assessing the entity. The whole process is highly interactive and includes inputs from sector specialists, if and when required. PACRA will ensure strict confidentiality of all information collected during the assessment process.

The methodology and definitions of the proposed rating/grading system are attached.

Methodology

The Developer and the Real Estate Project are graded under two broad risk categories - business risk and financial risk. Indicative criteria, inter-alia, include:

Criteria to Assess Developers

Business Risk Determinants:

- **Sector specific risk:** Overview of the state of the economy and its near and medium term prospects. Sectoral presence of the developer/builder enterprise and revenue generation capacity.
- **Market Position:** The position of the developer vis-à-vis other players and the developer's general reputation in the market.
- **Project Composition:** Project mix in terms of the number and value of projects in hand.
- **Adherence to project time schedules:** Present state of all the projects undertaken by the developer and the extent of adherence to milestones indicates the chances of any time overruns.
- **Project Quality track record:** The quality of the completed projects has a vital bearing on the developer's business risk. The quality consciousness of the developer refers to the quality procedures adopted at the various project sites, material procurement and inspection systems adopted by the developer.
- **Project Management and Systems for timely completion:** The internal planning and project management systems adopted, extent of review meetings at the on going project sites, nature of construction agencies deployed and construction techniques adopted can significantly affect the progress at the worksites.
- **Management Quality:** Organisation structure, commitment of the management, management policies and human resources deployed.
- **Extent of legal compliance and documentation:** Conformity with building bye-laws and regulations and trade practices followed. Extent of documentation also has an important bearing.
- **Contract Composition:** Indicates the nature of contracts entered into by the developer with the construction agencies which influences the risk sharing in case of any delay or deviation.
- **Past projects track record:** Track record of the developer in terms of quality, timely completion and transfer of ownership to the customers.
- **Dispute and litigation track record:** Nature and extent of litigation against the developer by government/semi government/public sector agencies and the general public.
- **Customer satisfaction:** Extent of satisfaction of the customers/investors and redressal of grievances of the purchaser/investor; specifically, the system and timeliness of handling queries and complaints.

Financial Risk Determinants:

- **Profitability:** Important indicator of developer's financial strength.
- **Leverage:** Developers that are highly leveraged face bigger problems during economic downturns.
- **Financial Flexibility:** Financial flexibility refers to the company's ability to arrange funds in case of a liquidity crunch and erratic cash inflows.
- **Working Capital Management:** Control of receivables and advances from customers and working capital management thereby requiring less interest-bearing working capital support from external sources.
- **Insurance Cover:** Insurance cover taken by the developer for its various projects reduces the risk in case of any contingencies.
- **Accounting Quality:** Includes accounting practices and standards followed.
- **Contingent Liability:** Any contingent liability that may significantly affect the risk profile of the developer.

Criteria to assess Real Estate Project Risks includes an analysis of the following factors:

- **Completion risk:** This is the risk that the project may not be completed in time or at all due to faulty planning, cost overruns, wrong choice of construction agencies.
- **Price risk:** Price quoted should be reasonable and any risk of volatile prices due to supply-demand factors increases the price risk.
- **Resource risk:** The risk includes the non-availability or a possibility of an adverse price movement in construction inputs.
- **Quality and non-conformance risk:** This is the risk of nonconformance of laid down quality standards for construction processes and raw materials.
- **Policy risk:** This risk relates to consistency in government policies that could have a material impact on the project.
- **Project development risk:** This is a risk that the project development may not take place in an orderly manner if the agreement between the landowner and developer contains certain ambiguities.

- **Permission Risk:** This is the risk that official clearances like approved building plans, licences from competent authorities may not be forthcoming or subject to expensive conditions.
- **Interest Rate Risk:** This is the risk that the floating interest rate of the project, if any, would increase beyond the levels assumed for preparing projected cash flows.
- **Insolvency Risk:** This is the risk of insolvency of the Developer.
- **Site Risk:** This is the risk that the project site might have legal encumbrances.
- **Transfer of ownership risk:** This is the risk that the ownership title may not be transferred effectively.
- **Penalty clause:** Presence of a penalty clause in case of delay in handing over possession in time can act as a source of comfort to the investor.
- In addition to the project specific risks the past track record of the developer and its financial position have an important bearing on the grading of the project.

PACRA grading symbols for Real Estate Developers and their implications are as follows:

PE1	Very strong project execution capacity. The prospects of execution of real estate projects as per plan are the most promising and the ability to transfer ownership as per terms is highest.
PE2	Strong project execution capacity. The prospects of execution of real estate projects as per plan and the ability to transfer ownership as per terms are highly promising but less than under PE1.
PE3	Moderate project execution capacity. The prospects of execution of real estate projects as per plan and the ability to transfer ownership as per terms are good. Project execution capacity can be affected moderately by changes in the real estate sector prospects.
PE4	Inadequate project execution capacity. The prospects of execution of real estate projects as per plan and the ability to transfer ownership as per terms do not provide adequate comfort. Project execution capacity can be affected severely by changes in real estate sector prospects.
PE5	Weak project execution capacity. The prospects of execution of real estate projects as per plan and the ability to transfer ownership as per terms are poor.

NOTE: A plus (+) or minus (-) may be appended to a grade to denote relative status within grading categories from PE2 to PE4.

PACRA grading symbols for Real Estate Projects and their implications are as follows:

EP1	Very strong project. The prospects of successful implementation of the real estate project and transfer of ownership as per terms are highest. The project risk factors are lowest.
EP2	Strong project. The prospects of successful implementation of the real estate project and transfer of ownership as per terms are high. The project risk factors are low.
EP3	Moderate project. The prospects of successful implementation of the real estate project and transfer of ownership as per terms are moderate. The project risk factors are moderate.
EP4	Inadequate project. The prospects of successful implementation of the real estate project and transfer of ownership as per terms are inadequate. The project risk factors are high.
EP5	Weak project. The prospects of successful implementation of the real estate project and transfer of ownership as per terms are poor. The project risk factors are highest.

NOTE: A plus (+) or minus (-) may be appended to a grade to denote relative status within grading categories from EP2 to EP4.

RECENT FINANCIAL SECTOR DEVELOPMENTS

June - August 2003

- ❑ The Securities and Exchange Commission of Pakistan (SECP) has taken action by filing petitions against unauthorized and illegal activities of so-called forex and brokerage companies.
- ❑ The State Bank of Pakistan (SBP) has given permission to Crescent Investment Bank Limited to operate as a commercial bank after its merger with Dubai-based Mashreq Commercial Bank.
- ❑ The SBP has formulated a separate set of Prudential Regulations for small and medium enterprises in order to facilitate and encourage the flow of bank credit to the SMEs.
- ❑ The Privatisation Commission has received 19 Expression of Interest (EoI) for Habib Bank Limited's (HBL) intended sale of 26% to 51% stake of its shareholding from reputed international and Pakistani parties.
- ❑ The SBP has received 12 Expression of Interest (EoI) for the acquisition of management stake in Allied Bank Limited (ABL).
- ❑ The SBP has reportedly asked all banks and development financial institutions (DFIs) to provide weekly details of their investment in shares and lending of funds for carry-over or badla financing.
- ❑ Risk management guidelines for banks and DFIs to devise action plans for dealing with problem loans have been issued by the SBP.
- ❑ PICIC is in the process of merging 13 ICP mutual funds, making it the largest fund in the country.
- ❑ The SBP has allowed banks to levy service charges on the PLS deposits but has exempted students, Mustahqueen of Zakat, semi and government institution employees for salary and pension purposes.
- ❑ The NBP has floated the First National Bank Modaraba with an initial capital of PKR 250mln.
- ❑ The export refinance rate remained unchanged for September at 3 percent.
- ❑ The Central Bank has issued guidelines on Commercial Paper (CP) for banks and DFIs.

Source: Newspapers



PACRA RATING ACTIONS

August 15, 2003: First Women Bank Limited

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term rating to 'BBB+' (Triple B Plus) and has maintained the short-term rating at 'A2' (Single A Two) of First Women Bank Limited (FWBL). These ratings denote a low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

The ratings reflect the successful turnaround of the bank in 2001 and 2002, both in terms of performance and the risk absorption capacity, in spite of the low equity base with the paid-up capital limited to PKR 200mln. The sustained improvement demonstrates the success of the commitment of the new president and her team to steer the bank away from a crisis environment to a stable institution with a clearly focused strategy for the future.

The ratings also factor in the high liquidity available with the bank to meet its short-term obligations. Additionally, the ratings recognize the concerted efforts for organizational restructuring principally aimed at (a) human resource development through induction of experienced professionals, and extensive training for managers / officers at branch level, middle management / executive at regional / head office level, (b) strengthening of credit evaluation, and internal control policies and procedures (c) technological up-gradation through installation of fully integrated systems and (d) collaboration with local and international agencies for training, capacity building and infrastructural development of FWBL.

August 01, 2003: Network Leasing Limited

It is notified for general information that PACRA's rating of 'A-' (Single A Minus) for the proposed PKR 300mln TFC issue of Network Leasing Corporation Limited stands withdrawn.

July 31, 2003: Union Bank Limited

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term rating to 'A' (Single A) and the short-term rating to 'A1' (A one) of Union Bank Limited (UnBL). These ratings are applicable to senior unsecured creditors (depositors) of the bank. The rating of the first tranche of unsecured subordinated TFC issue of PKR 750mln has been maintained at 'A-' (A minus). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

UnBL's ratings reflect enhancement in the risk absorption capacity, resulting from substantial expansion in the equity base and strong support demonstrated by the sponsors. The ratings also recognize the improving trend in earning prospects because of its focus on consumer financing, a segment in which the strong technology platform of the bank places it at a relative advantage within the peer group.

August 15, 2003: PACRA upgrades Credit Rating of **First Women Bank Limited**

August 01, 2003: PACRA withdraws Rating for **Network Leasing Limited's Proposed TFC**

July 31, 2003: PACRA Upgrades the Credit Rating of **Union Bank Limited**

July 21, 2003: PACRA Maintains TFC Ratings of **Pakistan PTA Limited**

July 15, 2003: PACRA Maintains the Ratings of **Tri-Pack Films Limited**

July 08, 2003: PACRA Maintains Ratings of **Prime Commercial Bank Limited**

July 04, 2003: PACRA withdraws Ratings of **Crescent Investment Bank Limited**

July 01, 2003: PACRA Maintains the Ratings of **Askari Commercial Bank Limited**

June 28, 2003: PACRA Upgrades Ratings of **Engro Chemical Pakistan Limited**

June 27, 2003: PACRA Assigns Ratings to **Trust Investment Bank Limited**

June 26, 2003: PACRA Maintains the Ratings of **Metropolitan Bank Limited**

June 25, 2003: PACRA Maintains the Ratings of **Bank Al Habib Limited**

June 24, 2003: PACRA Maintains the Ratings of **Bank Alfalah Limited**

June 23, 2003: PACRA Maintains the Ratings of **The Bank of Punjab**

June 13, 2003: PACRA Maintains the Ratings of **Soneri Bank Limited**



July 21, 2003: Pakistan PTA Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the ratings of both the secured TFCs of PKR 348mln and PKR 1,600mln of Pakistan PTA Limited (PPTA) at 'A' (Single A). These ratings have been assigned a positive outlook. The ratings denote a low expectation of credit risk.

The ratings are primarily based on the comfort drawn from ICI Pakistan's guarantee of PPTA's TFC obligations, as PPTA's cash flows are not sufficient to fully meet its debt liabilities. Meanwhile, continuing availability of group support in the form of new loans to replace expensive local medium-term borrowings, and the effective debt/equity swap undertaken in September 2002 through the rights share issue, have improved the financial structure of the company resulting in a substantial reduction in the financial charges.

July 15, 2003: Tri-Pack Films Limited

The Pakistan Credit Rating Agency (PACRA) has maintained both long-term and short-term ratings of Tri-Pack Films Limited (TPFL) at "A+" (single A plus) and "A1" (single A one), respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The ratings are applicable to senior unsecured creditors of the company.

TPFL's ratings reflect the company's strong financial profile emanating from a track record of stable cash flow generation, sound coverages and low gearing. TPFL is exposed to low levels of business risk attributable to its sustained market leadership and the management's demonstrated capacity to successfully meet any competitive challenges.

July 08, 2003: Prime Commercial Bank Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at 'A' (Single A) and the short-term rating at 'A1' (Single A One) of Prime Commercial Bank Limited. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The ratings are applicable to the senior unsecured creditors (depositors) of the bank.

The ratings reflect the bank's largely maintained risk profile and performance level. The rating also factors in improved YoY growth with increasing outreach but maintained relative positioning among peers.

July 04, 2003: Crescent Investment Bank Limited

Following the approval of the State Bank of Pakistan of the scheme of amalgamation resulting in merger of Crescent Investment Bank Limited (CresBank) with Pakistan branches of Mashreq Bank with effect from July 9, 2003, PACRA's long-term and short-term ratings for CresBank "A-" (A minus) and "A1" (single A one), respectively, stand withdrawn.

July 01, 2003: Askari Commercial Bank Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at 'AA' (Double A) and the short-term rating at 'A1+' (A One plus) of Askari Commercial Bank Limited. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The ratings are applicable to the senior unsecured creditors (depositors) of the bank.

The ratings reflect Askari Bank's demonstrated ability of maintaining a low risk asset profile with continuing growth and sustained performance in an increasingly competitive operating environment.

June 28, 2003: Engro Chemical Pakistan Limited

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of Engro Chemical Pakistan Limited (ECPL) to "AA-" (Double A minus) and the short-term rating to "A1+" (A One Plus). The long-term ratings of the secured TFC Tranche 1 of PKR 500 mln and Tranche 2 of PKR 1,000 mln have also been upgraded to "AA" (Double A). These ratings indicate a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings recognize ECPL's strong financial profile stemming from a track record of stable cash flows and sound coverages, even during difficult years. The company's ability to stand its ground in a challenging operating environment, together with effective implementation of its conscious strategy of diversification, are vital rating factors. The ratings are further supported by the strategic nature of ECPL's business and its importance in the national economy.



Given the amicable out-of-court settlement with the Dawood Group (DG) regarding a probable hostile takeover, the DG's association with the company is likely to enhance the market perception of its potential financial strength.

June 27, 2003: Trust Investment Bank Limited

The Pakistan Credit Rating Agency (PACRA) has assigned Trust Investment Bank Limited (TIBL) long-term and short-term ratings of "BBB-" (Triple B minus) and "A3" (Single A three), respectively. The entity ratings are applicable to the senior unsecured creditors of the company. The secured TFCs (TFC I: PKR 287 mln, TFC II First Tranche: PKR 334 mln) have been assigned a rating of "BBB" (Triple B). These ratings have also been placed on RatingWatch pending the completion of the proposed merger/amalgamation process. The ratings indicate that there is currently a low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

TIBL's ratings reflect the constrained business growth and asset quality with increasing proportion of non-earning assets. The management is hopeful of a quick turnaround in terms of improved prospects following the expected change of status to a commercial bank. However, given the increasingly competitive environment in the banking sector, it remains to be seen when and to what extent the expectation is realized. While immediate benefits could accrue in terms of reduction in the cost of funds, this could be offset by a higher cost structure in the short run.

TIBL is currently in the process of merging/amalgamating with Fidelity Investment Bank Limited and local operations of Doha Bank, Qatar, to form Trust Commercial Bank Limited, subject to statutory approvals.

June 26, 2003: Metropolitan Bank Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at 'AA+' (Double A Plus) and the short-term rating at 'A1+' (A One plus) of Metropolitan Bank Limited (MBL). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The ratings are applicable to the senior unsecured creditors (depositors) of the bank. This is the highest level of credit rating by PACRA in the commercial banking sector.

The ratings reflect the bank's demonstrated ability of maintaining its performance and very strong risk profile, on a standalone basis as well as with reference to peers, despite the increasingly competitive and somewhat difficult operating environment. MBL, with an efficient operational structure, is well positioned to capitalize on any improvement in the economic environment.

June 25, 2003: Bank AL Habib Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at 'AA' (Double A) and the short-term rating at 'A1+' (A One plus) of Bank AL Habib Limited (BAHL). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The ratings are applicable to the senior unsecured creditors (depositors) of the bank.

The ratings reflect the demonstrated ability of the bank to maintain its relative performance and risk profile. The current operating environment and particularly limited growth in private sector credit demand present difficult challenges to the overall banking sector. In this context, BAHL is well positioned to capitalize on any increase in credit demand because of its substantially expanded branch network.

June 24, 2003: Bank Al-Falah Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at "AA-" (Double A minus) and the short-term rating at "A1+" (A One Plus) of Bank Al-Falah Limited (BAL). These ratings are applicable to senior unsecured creditors (depositors) of the bank. The rating of unsecured subordinated TFC issue of PKR 650mln has been maintained at "A+" (A plus). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

While assigning the ratings, PACRA has taken note of the BAL's steady growth with sustained performance and maintained risk profile of assets. The ratings also reflect strong sponsor support vis-à-vis prompt increase in equity base to achieve the aggressive growth targets.



June 23, 2003: The Bank of Punjab

PACRA has maintained the long-term rating at "A" (single A) and the short-term rating at "A1" (A One) of The Bank of Punjab (BOP). These ratings are applicable to senior unsecured creditors (depositors) of the bank. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

BOP's ratings reflect its maintained performance indicators, attributable solely to higher dividend income and capital gains, and potential benefits arising from appreciation in the value of investment in government securities. The ratings also recognise a modest improvement in the risk profile of the loan portfolio. The recently inducted top management is formulating plans for expansion of the loan portfolio through product and credit portfolio diversification and to overcome the continuing human resource and technological constraints. However, implementation and outcome of these plans remain to be seen

June 13, 2003: Soneri Bank Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at 'AA-' (Double A Minus) and the short-term rating at 'A1+' (A One plus) of Soneri Bank Limited. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The ratings are applicable to the senior unsecured creditors (depositors) of the bank.

The ratings reflect the bank's maintained risk absorption capacity stemming from sound asset quality - reflecting the low risk strategy and prudent management - and a maintained strong liquidity position. Given the increasing pressure on revenues due to declining spreads, performance is likely to be sustained through volume growth.

List of Publicly Disseminated Ratings (As At August 31, 2003)

Entity Ratings:

Sr. No.	Name of the Organisation	Type of Rating	Date of Notification (MM/DD/YYYY)	Rating Assigned		
				FS/MF/AMIR	Long-Term	Short-Term
FINANCIAL SECTOR						
MUTUAL FUNDS / ASSET MANAGEMENT COS.						
1.	ABAMCO Limited	AMIR ¹	04/30/2003	aa	---	---
2.	BSJS Balanced Fund Limited	MF ²	02/18/2003	AA(f)	---	---
3.	National Investment (Unit) Trust – NIT	MF	10/02/2002	A(f)	---	---
4.	Unit Trust Of Pakistan	MF	01/22/2003	AA(f)	---	---
DFIS / INVESTMENT COS. / BROKERAGE HOUSES						
1.	House Building Finance Corporation (HBFC)	Entity	11/18/2002		A	A1
2.	Jahangir Siddiqui & Co. Limited	Entity	12/02/2002		AA	A1+
3.	Khadim Ali Shah Bukhari & Co. Limited	Entity	01/29/2003		A	A1
4.	Pakistan Industrial Credit & Investment Corporation Limited (PICIC)	Entity	02/17/2003		A+	A1
MODARABAS						
1.	First Fidelity Leasing Modaraba	Entity	02/18/2003		BBB+	A2
2.	First Grindlays Modaraba	Entity	02/04/2003		AA+	A1+
3.	First Habib Modaraba	Entity	02/17/2003		AA-	A1+
4.	First Punjab Modaraba	Entity	01/29/2003		A-	A2
LEASING COMPANIES						
1.	Askari Leasing Limited	Entity	04/25/2003		A+	A1
2.	Crescent Leasing Corporation Limited	Entity	11/07/2002		A+	A1
3.	Dawood Leasing Company Limited	Entity	02/21/2003		A+	A1
4.	KASB Leasing Limited (Formerly Pak-Apex Leasing Company Limited)	Entity	11/15/2002		BBB+	A2
5.	National Development Leasing Corporation Limited (NDLC)	Entity	11/25/2002		A	A1
6.	Network Leasing Corporation Limited	Entity	12/11/2002		BBB	A3
7.	Orix Leasing Pakistan Limited	Entity	02/24/2003		AA	A1+
8.	Pacific Leasing Company Limited	Entity	11/25/2002		BBB	A3
9.	Trust Leasing Corporation Limited	Entity	01/28/2003		A-	A2
10.	Union Leasing Limited	Entity	10/21/2002		A-	A1
BANKING COMMERCIAL						
1.	Askari Commercial Bank Limited	Entity	06/27/2003		AA	A1+
2.	AlBaraka Islamic Bank (Pakistan Branches)	Entity	06/30/2003		A	A1
3.	Bank Alfalah Limited	Entity	06/10/2003		AA-	A1+

¹ Asset Management Intrinsic Rating

² Mutual Fund Rating



Sr. No.	Name of the Organisation	Type of Rating	Date of Notification (MM/DD/YYYY)	Rating Assigned		
				FS/MF/AMIR	Long-Term	Short-Term
4.	Bank Al Habib Limited	Entity	06/10/2003		AA	A1+
5.	The Bank of Punjab	Entity	06/19/2003		A	A1
6.	First Women Bank Limited	Entity	08/08/2003		BBB+	A2
7.	Metropolitan Bank Limited	Entity	06/10/2003		AA+	A1+
8.	Muslim Commercial Bank Limited (MCB)	Entity	05/02/2003		AA	A1+
9.	Prime Commercial Bank Limited	Entity	06/30/2003		A	A1
10.	Soneri Bank Limited	Entity	06/10/2003		AA-	A1+
11.	Union Bank Limited	Entity	07/25/2003		A	A1
BANKING INVESTMENT						
1.	Atlas Investment Bank Limited	Entity	01/02/2003		A-	A2
2.	Fidelity Investment Bank Limited	Entity	02/18/2003		BBB+	A2
3.	First International Investment Bank Limited	Entity	02/21/2003		A	A1
4.	Jahangir Siddiqui Investment Bank Limited	Entity	01/22/2003		A	A1
5.	Trust Investment Bank Limited	Entity	04/02/2003		BBB-	A3
INSURANCE COMPANIES						
1.	International General Insurance Company of Pakistan Limited (IGI)	IFS ¹	07/25/2002	AA	---	---
2.	Muslim Insurance Company Limited	IFS	09/19/2002	A	---	---
3.	New Jubilee Insurance Company Limited (NJI)	IFS	02/21/2003	AA	---	---
INDUSTRIAL CORPORATES						
TEXTILE						
1.	Nishat Mills Limited	Entity	03/28/2003		A	A1
SUGAR & ALLIED						
1.	Al-Abbas Sugar Mills Limited	Entity	04/10/2003		A-	A2
FUEL & ENERGY						
1.	Pak-Arab Refinery Company Limited (PARCO)	Entity	05/07/2003		AAA	A1+
TRANSPORT & COMMUNICATION						
1.	Pakistan Mobile Communications (Pvt) Limited (Mobilink)	Entity	09/19/2002		A+	A1
2.	WorldCall Communications Limited	Entity	03/12/2003		A+	A1
CHEMICAL & PHARMACEUTICALS						
1.	Engro Chemical Pakistan Limited	Entity	06/03/2003		AA-	A1+
PAPER & BOARD						
1.	Packages Limited	Entity	04/02/2003		AA	A1+
2.	Security Papers Limited	Entity	08/16/2002		AA	A1+
MISCELLANEOUS						
1.	Tri-Pack Films Limited	Entity	06/30/2003		A+	A1

Total Number of Entity Ratings = 50

¹ Insurer Financial Strength Rating



Term Finance Certificates (TFCs) Ratings:

Sr. No.	Name of the Organisation	Amount PKR (mln)	Date of Notification (MM/DD/YYYY)	Date of Issue (MM/DD/YYYY)	Rating Assigned
1.	Al-Abbas Sugar Mills Limited	350.00	04/10/2003	07/03/2003	A
2.	Al-Noor Sugar Mills Limited	203.66	05/20/2003	10/31/2000	BBB
3.	Atlas Investment Bank Limited – I (Originally Issued By Atlas Lease)	200.00	01/02/2003	09/27/2000	A
4.	Atlas Investment Bank Limited - II (Originally Issued By Atlas Lease)	100.00	01/02/2003	08/16/2001	A
5.	Bank Alfalah Limited	650.00	06/10/2003	12/21/2002	A+
6.	Crescent Leasing Corporation Limited	261.79	11/07/2002	12/18/2001	AA-
7.	Dawood Leasing Company Limited (1 st Tranche)	253.05	02/21/2003	09/21/2001	AA-
8.	Dawood Leasing Company Limited (2 nd Tranche)	345.00	02/21/2003	07/27/2002	AA-
9.	Engro Chemical Pakistan Limited (1 st Tranche)	500.00	06/03/2003	09/27/2001	AA
10.	Engro Chemical Pakistan Limited (2 nd Tranche)	1,000.00	06/03/2003	07/06/2002	AA
11.	First International Investment Bank Limited	326.00	02/21/2003	12/01/1998	A+
12.	First International Investment Bank Limited (M-Series)	57.04	02/21/2003	09/01/2001	A
13.	First International Investment Bank Limited (R-Series)	135.86	02/21/2003	09/01/2001	A
14.	Gulistan Textile Mills Limited	320.67	05/21/2003	09/05/2001	A-
15.	Jahangir Siddiqui & Co. Limited	500.00	12/02/2002	04/18/2003	AA
16.	KASB Leasing Limited (Formerly Pak-Apex Leasing Company Limited)	200.00	11/15/2002	07/15/2003	A-
17.	Maple Leaf Cement Factory Limited	250.00	06/13/2003	07/20/2002	A-
18.	Muslim Commercial Bank Limited (MCB)	1,600.00	05/02/2003	08/10/2002	AA-
19.	National Development Leasing Corporation Limited (NDLC)	500.22	11/25/2002	12/01/1999	A+
20.	Network Leasing Corporation Limited	100.00	12/11/2002	10/08/2000	BBB+
21.	Nishat Mills Limited	600.00	03/28/2003	09/19/2001	A+
22.	Orix Leasing Pakistan Limited (1 st Tranche)	742.00	02/24/2003	04/07/2001	AA+
23.	Orix Leasing Pakistan Limited (2 nd Tranche)	758.00	02/24/2003	08/01/2002	AA+
24.	Pacific Leasing Company Limited	350.00	11/15/2002	07/09/2003	BBB+
25.	Packages Limited	850.00	04/02/2003	08/01/2001	AA
26.	Pak-Arab Refinery Company Limited (PARCO)	2,500.00	05/07/2003	12/12/2001	AAA
27.	Pakistan PTA Limited – I (Formerly ICI Pakistan Limited)	348.00	07/03/2003	04/23/2001	A
28.	Pakistan PTA Limited – II (Formerly ICI Pakistan Limited)	1,600.00	07/03/2003	08/02/2001	A
29.	Securetel SPV Limited – S-TFCs	850.00	09/19/2002	04/27/2003	A
30.	Shahmurad Sugar Mills Limited	230.00	05/20/2003	05/21/2002	BBB-
31.	Sui Southern Gas Company Limited (SSGC) (1 st Tranche)	1,000.00	02/28/2002	06/01/2001	AA
32.	Sui Southern Gas Company Limited (SSGC) (2 nd Tranche)	1,250.00	02/28/2002	06/11/2002	AA
33.	Trust Investment Bank Limited – I (Originally Issued By PILCORP)	287.50	04/02/2003	12/21/1999	BBB
34.	Trust Investment Bank Limited – II (Originally Issued By PILCORP)	334.13	04/02/2003	03/02/2001	BBB
35.	Trust Leasing Corporation Limited	250.00	01/28/2003	06/03/2003	A
36.	Union Bank Limited	750.00	07/25/2003	12/21/2002	A-
37.	Union Leasing Limited	357.10	10/21/2002	04/20/2002	A
38.	WorldCall Communications Limited	350.00	03/12/2003	10/01/2002	AA-
Total Amount Issued:		21,260.02			