



## The Pakistan Credit Rating Agency Limited

### Rating Report

#### Airlink Communication Limited | PPSTS-I | PKR 3bln | TBI

#### Report Contents

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

#### Rating History

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action      | Rating Watch |
|--------------------|------------------|-------------------|---------|-------------|--------------|
| 23-Feb-2024        | A+               | A1                | Stable  | Preliminary | -            |

#### Rating Rationale and Key Rating Drivers

Airlink Communication Limited (“Airlink” or “the Company”) is principally engaged in two business verticals; as mobile phones distributor and retailer, and now increasingly taking part in the assembling of smartphone and allied items in Pakistan. The ratings reflect Airlink’s sustainable business fundamentals underpinned by its growing relative position. The Company is considered to be an official partner of multiple leading global brands to ensure diversified earnings from its product portfolio. Recently, PTA also issued MDM authorizations to 30+ foreign & and local companies to create more jobs in the technical sector and enable consumers to buy locally. Besides, favorable policies, trade and investment liberalization & healthy competition promote shared industry prosperity. Resultantly, Airlink captures a market share of around ~22% in mobile phone distribution. It has a nationwide network linked with over 16+ hubs & regional offices, 1100 + wholesalers, and 4,000+ retailers with after-sales support service centers in all major cities. During 1HFY24, Airlink witnessed significant topline growth with total sales recorded at PKR 60.5bln on a Y-o-Y basis primarily on the back of rising volume from the assembling operating segment, followed by higher prices of mobile devices. The Company’s revenue contribution from the assembly side was fueled as an outcome of its backward integration strategy when Airlink joined hands with Xiaomi to manufacture/assemble its mobile phones and allied items in Pakistan during 2022 by incorporating a wholly owned subsidiary “Select Technologies (Pvt) Limited”. Airlink’s capital structure is moderately leveraged; mainly comprised of STBs. The financial risk profile is reflected by an improved working capital cycle, comfortable coverages, and healthy cash flows.

The ratings are dependent on the Company’s ability to sustain its relative position amidst highly changing industry environment. As business grows, prudent financial discipline - particularly in working capital structure, is essential to uphold the ratings.

#### Disclosure

|                              |   |
|------------------------------|---|
| <b>Name of Rated Entity</b>  | Airlink Communication Limited   PPSTS-I   PKR 3bln   TBI  |
| <b>Type of Relationship</b>  | Solicited   |
| <b>Purpose of the Rating</b> | Debt Instrument Rating  |
| <b>Applicable Criteria</b>   | Methodology   Corporate Rating(Jul-23),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Rating Modifiers(Apr-23),Methodology   Debt Instrument Rating(Dec-23) |
| <b>Related Research</b>      | Sector Study   Communication(May-23)  |
| <b>Rating Analysts</b>       | Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504   |

## Issuer Profile

**Profile** Airlink Communication Limited ('Airlink' or 'the Company') is a public listed entity with a free float of ~25% shares as to date Jan'24. The Company got listed on PSX during September 2021. In 2010, Airlink was formed as a partnership firm for the import & distribution of IT products, particularly mobile phones, & related services. In 2014, a new private company was incorporated to take over the business of the partnership firm running as a family business. Following July 2018, the entire business transferred to the Company's books. Airlink converted its status to Public Unlisted in Apr'19. Later, the Company got listed on PSX during Sep'21. Airlink is principally involved in the distribution of mobile phones and allied products of the leading brands in the mobile industry; Samsung, Huawei, Techno, iPhone, ITEL, Xiaomi, TCL, Realme, and Q-Mobile. The Company signed agreements with different globally renowned mobile phone brands for distribution services. Further, Airlink partnered with Xiaomi to manufacture and distribute Xiaomi mobile phones & accessories in Pakistan through its wholly-owned subsidiary "Select Technologies (Private) Limited."

**Ownership** The Company is owned by the sponsoring family; formerly by the brothers - Mr. Muazzam Hayat Piracha (Late) & Muzaffar Hayat Piracha (24.97%). After the death of Mr. Muazzam Hayat, his shares transferred to his wife, Ms. Saliha Basit (3.67%) and his four daughters (5.14% each). Mr. Shaukat Hayat Piracha, paternal uncle of the two owners, has lately transferred his stake to his son, Mr. Yasir Hayat Piracha, who now owns 24.23% shares in the Company. Other shareholders include Insurance Companies (3.81%), general Public (8.58%), and the remaining is held by Banks, DFIs, NBFIs & others. The ownership structure of the Company is seen stable as no major changes are expected in near future. Prime stake is held with CEO of Airlink and his family. Mr. Muzaffar Hayat - the main sponsor, is leading the Company since its inception. He is a seasoned professional possessing a strong understanding of the industry. Business acumen is, thus, considered good. Owners of the Company do not have any strategic stake in other companies. Mr. Muzaffar Hayat owns residential properties. Financial strength is, therefore, considered adequate.

**Governance** The Company has transformed its governance structure to comply with the Code of Corporate Governance for which the appointment of three independent directors had been made in FY22. Other than that, there are four members on the Board. Board member's business acumen is considered good as they have vast experience of the relevant industry. Mr. Aslam Hayat has extensive experience in the relevant field. He is the Chairman of the Board. The board has two sub-committees; Audit and HR & Remuneration Committee, enabling the Board to keep an oversight of the business more closely. An internal audit department is in place, reporting independently to the Audit Committee. M/s BDO Ebrahim & Co - Chartered Accountants are the external auditors of the Company, categorized as an 'A' rated firm by SBP. They have expressed an unqualified opinion on the Company's financial statements for the period ended June 30th, 2023.

**Management** The Company has a well-defined organizational structure. Various types of activities are properly segregated and managed through different departments. The HODs report to the CEO. Mr. Muzaffar Hayat Piracha, CEO of the Company, is an MBA and has been associated with the company since its inception. He is involved in all strategic and key decisions of the business. Six management committees are operating namely; i) Credit Committee, ii) Risk Management Committee, iii) Sale Control Committee, iv) Cash Management Committee, v) Operational Control Committee, and vi) Business Plan Committee, which help to ensure overall operational efficacy. The Company has installed SAP - an ERP solution as its information system, which provides adherence to a sound reporting system within the Company. MIS reports for senior management are generated frequently and are detailed. Many reports, including the following, are generated frequently of each business unit: i) region-wise business partner report including adjustments, ii) daily stock report for all warehouses, iii) product-wise report of region & corporate limits.

**Business Risk** Pakistan has been one of the fastest-growing cellular markets. The country's tele density increased from 6% in FY04 to a high of 80% in FY23. The devaluation of currency against USD in FY23 and the rise in duty structure amplified the prices of imported phones, hence putting pressure on the demand for high-end range mobile phones. In 1HFY24, the industry has started to record a positive performance. Global manufacturers/principles sell their mobile phones through networks of their authorized distributors. Currently, there are 4 top distributor chains in the country (Airlink ranks number one on the list & owns approx. 21% of the market share) with other small distributors for lower volumes. Airlink is one of the 4 mobile phone distributors of the country. The company is working with the world's top brands of mobile phones. In FY23, Xiaomi (38.14%), Techno (28.68%) and Samsung (28.41%) contributed highest to the company's revenue, followed by Realme (3.55%), Q-Mobile (0.50%), ITEL (0.35%), Alcatel (0.24%), Apple (0.12%), and Huawei (0.01%) contributed very less in company's revenue during that period. In FY23, Airlink recorded a topline of PKR~36,934mln (FY22: PKR ~49,166mln) depicting negative growth of 24.9% on account of import restrictions on CKDs of mobile phones. However, the Company's diversity with the distribution of Samsung, Huawei, Tecno, ITEL, Xiaomi, TCL/Alcatel, iPhone and now Realme & QMobile also initiated to keep the business volumes intact and safeguard against any uncertain conditions in future. With overall improvements of the industry, the Company was able to achieve a topline of PKR 60.5bln in 1HFY24 with significant growth of ~228.1%. A slight decline in the margins was noted during the period. In FY23, the gross profit margin decreased to 9.6% from 10.6% last year, mainly as a result of the effect of higher pricing of the imported components/parts. A similar trend was translated in the net profit margin (FY23: 2.6%, FY22: 3.1%). A rise in finance costs contributed to low earnings before tax. In 1HFY24, it recorded gross, operating, and net profit margins of ~7.2%, 5.6%, and 3.4%, respectively. In 2022, Airlink joined hands with Xiaomi Global to assemble and distribution globally renowned mobile phones. Signing continuous agreements with international brands ensures the sustainability of the Company at the group level.

**Financial Risk** Average gross working capital days, albeit high, have almost stayed consistent in recent years (FY23: 94 days, FY22: 81 days). The average net working capital days of the Company have slightly reduced when compared with last year (FY23: 70 days, FY22: 77 days). In 1HFY24, the Company's gross and net cycle reduced and stood at 32 days & 20 days, respectively. Free cash flow from operations (FCFO) decreased to PKR ~2,874mln in FY23 (FY22: PKR ~3,231mln, FY21: PKR ~2,601mln) on account of a decline in profitability before tax. Core operating coverages of the Company have also reduced during the review period (FY23: 1.3x, FY22: 2.3x). Debt payment capacity currently remains comfortable. FCFO marked at PKR ~3,430mln in 1HFY24 with interest and core coverage ratios stood at 4.0x and 3.0x, respectively. The total debt of Airlink slightly increased in FY23. At end June-23, it clocked at PKR ~8,302mln (FY22: PKR ~8,021mln FY21: PKR ~7,381mln). The Company has a leveraged capital structure. During FY23, the leveraging ratio stood at 40.4% (FY22: 40.8%, FY21: 53.3%). Most of the debt book is composed of short term loans to manage working capital needs. A cautious management approach is necessitated. Airlink's debt book increased to PKR 13,368mln with leveraging ratio stood at 50.2% at end Dec'23

## Instrument Rating Considerations

**About The Instrument** Airlink Communication Limited is set to issue Rated, Secured, Privately Placed, Short-Term Sukuk, marking a strategic financial move for the Company. The Sukuk would be carrying a markup of 6MK+1.75% with a tenor of six months.

**Relative Seniority/Subordination Of Instrument** The claims of the Sukuk holders will rank superior to the claims of ordinary shareholders.

**Credit Enhancement** The underlying instrument will be secured by ranking charge over the current assets of the Company. The Issuer shall maintain and efficiently manage Debt Payment Account ("DPA") under lien of the Investment Agent whereby the payment equivalent to PKR 750 million shall be made starting from 45 days before the maturity date, and every fortnight thereafter, such that amount equivalent to full issue amount is available in the DPA five days before the maturity date. The principal and profit would be made in bullet payment.



| Air Link Communication Limited<br>Communication | Dec-23<br>6M | Jun-23<br>12M | Jun-22<br>12M | Jun-21<br>12M |
|---|--------------|---------------|---------------|---------------|
|---|--------------|---------------|---------------|---------------|

#### A BALANCE SHEET

|                                |               |               |               |               |
|--------------------------------|---------------|---------------|---------------|---------------|
| 1 Non-Current Assets           | 7,988         | 6,186         | 6,172         | 1,272         |
| 2 Investments                  | 4,100         | 3,484         | 1,010         | 510           |
| 3 Related Party Exposure       | -             | -             | -             | -             |
| 4 Current Assets               | 24,102        | 18,964        | 14,479        | 13,967        |
| a Inventories                  | 8,481         | 7,175         | 5,334         | 3,534         |
| b Trade Receivables            | 2,979         | 2,714         | 3,753         | 5,391         |
| <b>5 Total Assets</b>          | <b>36,191</b> | <b>28,635</b> | <b>21,660</b> | <b>15,748</b> |
| 6 Current Liabilities          | 9,427         | 7,796         | 1,725         | 1,838         |
| a Trade Payables               | 3,235         | 4,715         | 47            | 1,050         |
| 7 Borrowings                   | 13,368        | 8,302         | 8,021         | 7,381         |
| 8 Related Party Exposure       | -             | -             | -             | -             |
| 9 Non-Current Liabilities      | 119           | 312           | 258           | 50            |
| <b>10 Net Assets</b>           | <b>13,276</b> | <b>12,225</b> | <b>11,656</b> | <b>6,479</b>  |
| <b>11 Shareholders' Equity</b> | <b>13,276</b> | <b>12,225</b> | <b>11,656</b> | <b>6,479</b>  |

#### B INCOME STATEMENT

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| 1 Sales   | 60,594       | 36,934       | 49,166       | 47,373       |
| a Cost of Good Sold                               | (56,232)     | (33,399)     | (43,968)     | (42,571)     |
| <b>2 Gross Profit</b>                             | <b>4,362</b> | <b>3,535</b> | <b>5,198</b> | <b>4,802</b> |
| a Operating Expenses                              | (950)        | (1,105)      | (1,548)      | (1,306)      |
| <b>3 Operating Profit</b>                         | <b>3,412</b> | <b>2,430</b> | <b>3,649</b> | <b>3,496</b> |
| a Non Operating Income or (Expense)               | 43           | 266          | 132          | 11           |
| <b>4 Profit or (Loss) before Interest and Tax</b> | <b>3,454</b> | <b>2,696</b> | <b>3,781</b> | <b>3,506</b> |
| a Total Finance Cost                              | (1,115)      | (1,828)      | (1,175)      | (1,102)      |
| b Taxation  | (298)        | 93           | (1,076)      | (899)        |
| <b>6 Net Income Or (Loss)</b>                     | <b>2,042</b> | <b>961</b>   | <b>1,530</b> | <b>1,505</b> |

#### C CASH FLOW STATEMENT

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| a Free Cash Flows from Operations (FCFO)                            | 3,430          | 2,874          | 3,231          | 2,601          |
| b Net Cash from Operating Activities before Working Capital Changes | 2,572          | 2,546          | 2,567          | 1,929          |
| c Changes in Working Capital  | (3,852)        | 51             | (970)          | 608            |
| <b>1 Net Cash provided by Operating Activities</b>                  | <b>(1,280)</b> | <b>2,597</b>   | <b>1,597</b>   | <b>2,537</b>   |
| <b>2 Net Cash (Used in) or Available From Investing Activities</b>  | <b>(2,571)</b> | <b>(2,793)</b> | <b>(5,947)</b> | <b>(595)</b>   |
| <b>3 Net Cash (Used in) or Available From Financing Activities</b>  | <b>4,566</b>   | <b>115</b>     | <b>4,620</b>   | <b>(1,924)</b> |
| <b>4 Net Cash generated or (Used) during the period</b>             | <b>715</b>     | <b>(81)</b>    | <b>269</b>     | <b>18</b>      |

#### D RATIO ANALYSIS

|   |        |        |       |       |
|---|--------|--------|-------|-------|
| <b>1 Performance</b>  |        |        |       |       |
| a Sales Growth (for the period)   | 228.1% | -24.9% | 3.8%  | 10.1% |
| b Gross Profit Margin   | 7.2%   | 9.6%   | 10.6% | 10.1% |
| c Net Profit Margin   | 3.4%   | 2.6%   | 3.1%  | 3.2%  |
| d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)      | -0.7%  | 7.9%   | 4.6%  | 6.8%  |
| e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sha | 32.0%  | 8.0%   | 16.9% | 27.2% |
| <b>2 Working Capital Management</b>   |        |        |       |       |
| a Gross Working Capital (Average Days)                                      | 32     | 94     | 81    | 70    |
| b Net Working Capital (Average Days)  | 20     | 70     | 77    | 43    |
| c Current Ratio (Current Assets / Current Liabilities)                      | 2.6    | 2.4    | 8.4   | 7.6   |
| <b>3 Coverages</b>  |        |        |       |       |
| a EBITDA / Finance Cost   | 4.1    | 2.1    | 4.3   | 4.4   |
| b FCFO / Finance Cost+CMLTB+Excess STB                                      | 3.0    | 1.3    | 2.3   | 2.0   |
| c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)          | 0.6    | 2.1    | 1.0   | 0.7   |
| <b>4 Capital Structure</b>  |        |        |       |       |
| a Total Borrowings / (Total Borrowings+Shareholders' Equity)                | 50.2%  | 40.4%  | 40.8% | 53.3% |
| b Interest or Markup Payable (Days)   | 59.0   | 48.8   | 89.5  | 52.4  |
| c Entity Average Borrowing Rate   | 17.5%  | 18.1%  | 12.7% | 9.4%  |

### Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

| Scale | Long-term Rating Definition   |
|-------|---|
| AAA   | <b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments  |
| AA+   |   |
| AA    | <b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.   |
| AA-   |   |
| A+    |   |
| A     | <b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.  |
| A-    |   |
| BBB+  | <b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.                                 |
| BBB   |   |
| BBB-  |   |
| BB+   | <b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met. |
| BB    |   |
| BB-   |   |
| B+    |   |
| B     | <b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.  |
| B-    |   |
| CCC   | <b>Very high credit risk.</b> Substantial credit risk "CCC" Default is a real possibility.  |
| CC    | Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.  |
| C     |   |
| D     | Obligations are currently in default.   |

| Scale | Short-term Rating Definition  |
|-------|---|
| A1+   | The highest capacity for timely repayment.  |
| A1    | A strong capacity for timely repayment.   |
| A2    | A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.                  |
| A3    | An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.                |
| A4    | The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient. |



\*The correlation shown is indicative and, in certain cases, may not hold.

**Outlook (Stable, Positive, Negative, Developing)** Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

**Rating Watch** Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

**Suspension** It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn** A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s):  
 a) Broker Entity Rating  
 b) Corporate Rating  
 c) Debt Instrument Rating  
 d) Financial Institution Rating  
 e) Holding Company Rating  
 f) Independent Power Producer Rating  
 g) Microfinance Institution Rating  
 h) Non-Banking Finance Companies Rating

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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)

### **Proprietary Information**

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Regulatory and Supplementary Disclosure

| Nature of Instrument   | Size of Issue (PKR)   | Tenor                                    | Security  | Book Value of Assets (PKR mln) | Nature of Assets | Trustee                             |
|--|---|--|---|--------------------------------|------------------|-------------------------------------|
| Rated, Secured, Privately Placed Short Term Sukuk ("PPSTS" or the "Issue") | Up to PKR 3,000 Million inclusive of green shoe option of PKR 1,000 Million | Up to 6 months from the date of Drawdown | 1.The underlying instrument will be secured by ranking charge over Current Assets of the company.<br>2.The Issuer shall maintain and efficiently manage Debt Payment Account ("DPA") under lien of the Investment Agent whereby the payment equivalent to PKR 750 million shall be made starting from 45 days before the maturity date, and every fortnight | -                              | Current Assets   | Pak Oman Investment Company Limited |

|                |                          |
|----------------|--------------------------|
| Name of Issuer | Airlink Pakistan limited |
| Issue Date     | TBD                      |
| Maturity       | TBD                      |
| Profit Rate    | 6MK+1.75%                |

Airlink Pakistan Limited | PPSukuk | Repayment Schedule | Estimated

| Sr.                  | Due Date<br>Principal Markup | Opening Principal | 6M Kibor | Markup/Profit Rate<br>(6MK + 1.75%) | Markup/Profit Payment | Principal Payment | Total         | Principal Outstanding |
|----------------------|------------------------------|-------------------|----------|-------------------------------------|-----------------------|-------------------|---------------|-----------------------|
|                      |                              | PKR               |          |                                     |                       | PKR               |               |                       |
| Tentative Issue Date | 1-Mar-24                     | 3,000,000,000     |          |                                     |                       | -                 | -             | 3,000,000,000         |
| 1                    | 31-Aug-24                    | 3,000,000,000     | 23.43%   | 25.18%                              | 378,734,795           | 3,000,000,000     | 3,378,734,795 | -                     |
|                      |                              |                   |          |                                     | 378,734,795           | 3,000,000,000     | 3,378,734,795 |                       |