



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Properties Limited

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
26-Apr-2024	A+	A1	Stable	Maintain	-
28-Apr-2023	A+	A1	Stable	Maintain	-
29-Apr-2022	A+	A1	Stable	Maintain	-
07-May-2021	A+	A1	Stable	Maintain	-
11-May-2020	A+	A1	Stable	Maintain	-
09-Nov-2019	A+	A1	Stable	Maintain	-
10-May-2019	A+	A1	Stable	Maintain	-
04-Dec-2018	A+	A1	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

TPL Properties Ltd (TPL Properties or the Company) has significant presence in Real estate sector for more than a decade. The sponsors have sound understanding of the local real estate sector with notable presence after the successful delivery of their first project "Centrepoint". Following the re-strategizing of the business model, TPL is now effectively a holding company. TPL Properties Ltd (TPL Properties or the Company) current structure consists of investments mainly held in TPL REIT Fund I, which is managed by TPL REIT Management Company limited and the projects are being developed by TPL Developments (Pvt) Limited. Both the companies are wholly owned subsidiaries of TPL Properties. The Company has previously realized substantial capital gains on property that were purchased and transferred to TPL REIT Fund I. Regarding the progress of the projects within TPL REIT Fund I, TPL Developments have initiated the construction on One Hoshang with major structural work under progress. Moreover, detailed master planning for Mangrove project is complete while detailed design of independent buildings is under progress. The management is committed towards meeting the construction deadlines of the projects as planned with high priority towards One Hoshang. Going forward, TPL Properties will receive income from various avenues including dividends from the REIT Fund I and the RMC. The local real estate sector is expected to witness some relief as political and economic uncertainty settles down during CY24. This will in turn be fruitful for the group as their projects will attract investment. The financial risk profile remains adequate with leveraging of the Company reported at 18.3% as on Dec 2023. Additionally, the Company has issued a Term Finance Certificate in Dec 2023 of PKR 1,575mln for a tenor of 1 year to support its operational expenses. The 1st quarterly markup installment was paid successfully by the Company.

The construction progress of the projects as planned remains crucial. Furthermore, the ratings are dependent on the management's ability and the sponsors support to assist the Company in managing its cashflows till income is received in the form of dividends from its strategic investments.

Disclosure

Name of Rated Entity	TPL Properties Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating(Jul-23),Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Rating Modifiers(Apr-23)
Related Research	Sector Study Real Estate(May-23)
Rating Analysts	Hashim Yazdani hashim.yazdani@pacra.com +92-42-35869504

Profile

Legal Structure TPL Properties Limited (TPL Properties) was incorporated in Pakistan as a private listed company on February 14 2007. Subsequently in 2016, the Company changed its status from a private limited company to a public company and was listed on the Pakistan Stock Exchange Limited.

Background The Company completed its first project "Centrepoin" in 2013 which was a dedicated office development project. The Company established TPL REIT Management Company which launched the largest REIT, TPL REIT Fund I at PKR 18bln in 2022.

Operations The principal activity of the company is to invest, purchase, develop and build real estate and to sell, rent out or otherwise dispose of in any manner the real estate including commercial and residential buildings, houses, shops, plots or other premises. Subsequent to the formation of TPL REIT Fund I, the Company transferred the three projects (One Hoshang, Mangrove, Technology Park) under the fund.

Ownership

Ownership Structure The majority of the stake is held by sponsors through Associated Companies (50.76%) including TPL Corp (39.26%) and Alpha Beta Capital Markets Pvt Limited (7.65%) and TPL Insurance (2.93%). Individual Sponsors, Directors, CEO and their family cumulatively hold 9.48% while General Public and other institutions hold approx. 39.76%.

Stability TPL Properties ownership structure is considered to be stable as majority stake rests with the TPL Group.

Business Acumen TPL Group has been on the business horizon of Pakistan since last two decades. Its strategy for new ventures has centered on building partnerships with industry players who contribute core-business acumen and best practices, whereas TPL Group provides operational management and market knowledge.

Financial Strength TPL Group has investments in Life & Non-Life Insurance, Real Estate, Security Services, Asset Tracking, Technology, Internet of Things, Digital Mapping & financial services sector. The Group consists of seven main companies.

Governance

Board Structure The overall control of the company vests in seven-member board of directors (BoD) including 4 Non Executive, 2 Independent and 1 Executive Directors.

Members' Profile Mr. Jameel Yusuf is the Chairman of the board and is a businessman by profession. He holds the position of Chairman in other associated companies of the TPL Group. The remaining board members possess adequate skills and expertise in the fields relating to Real estate development, Venture capital, Investment Banking, Fund Management and Information Technology.

Board Effectiveness The Company has two board committees – Audit and Human Resource & Remuneration – to comply with Code of Corporate Governance. Furthermore, the board conducts regular meetings when required with satisfactory presence of all members.

Financial Transparency M/s. BDO & Ebrahim, Chartered Accountants, are the external auditor of the company. Being a listed entity, the Company abides by the code of corporate governance and meets the financial transparency requirements as required for a listed entity.

Management

Organizational Structure TPL Properties has a streamlined organizational structure. Each function is headed by an experienced resource.

Management Team Mr. Ali Jameel spearheads the management operations. Mr. Jameel, a fellow member of Institute of Chartered Accountant from England & Wales (ICAEW), has been the key individual in conception and development of group companies. The management team comprises professionally qualified members having requisite experience.

Effectiveness TPL Properties is working with seven key functions namely (i) Information Technology, (ii) Finance, (iii) External Relations & CSR, (iv) Marketing and Communication, (v) Human Resource, (vi) Operations and (vii) Project Management reporting to Chief Executive Officer.

MIS The company maintains strong IT infrastructure and related controls. The company deploys Oracle E-Business Suit as ERP solution. Two Oracle modules are operational i) Financial, and ii) Supply Chain.

Control Environment The Company has an internal audit function in line with the Code of Corporate Governance.

Business Risk

Industry Dynamics During 2023, the local real estate sector was impacted by the slowdown in the economic growth coupled with threats from inflation and recession. Construction in both the commercial and residential real estate sectors was slowed as a result of political uncertainty in the country. Although the sector witnessed some relief during the first half of 2024, however, the high pricing and wiped of purchasing power of consumer has led to a constraint demand in the country.

Relative Position The Company has developed a trust amongst the customers from the quality of its previous delivered project. Furthermore, with its REIT structure, the Company is also enticing investors towards the new market of developmental REITs.

Revenues During FY23, the Company recorded revenue from the transfer of properties to the REIT Fund I along with unrealized revaluation gain on the properties. No revenues were recorded during 1HFY24, however the Company reported a loss during the period which is directly attributable to REIT Fund I issuing 337.5mln units at par value which led to an overall decline in NAV from PKR 19.39/unit to PKR 17.60/unit.

Margins The Company did not record any revenue during 1HFY24 since the one time revenue was recorded from the transfer of properties to the fund during FY23. The revenues will be recorded in the form of dividends from the RET Fund I in future.

Sustainability Going forward, the company has three projects in hand 1) One Hoshang - residential apartments, 2) Mangroves, 3) Technology Park. Construction work on One Hoshang is underway with the piling and shoring work completed. Furthermore, the management is planning for a soft launch of the project in the last quarter of FY24 after which the booking for the apartments would be started. The expected completion of the project is by 2026. Master plan for the Mangrove project is completed and approved. Technology Park project is put on hold and the management is considering the sale of the land.

Financial Risk

Working Capital TPL Properties' working capital requirement is mainly the function of payables, for which the company relies on internal cashflows. However, company has obtained the short-term borrowings of PKR 1,961mln to temporarily finance the construction projects. The Company has also issued a TFC in Dec 2023 amounting to PKR 1,575mln for a period of 1 year.

Coverages The cashflows to the Company will be in the form of dividends from the RET Fund I. Furthermore, the Company recorded one time income from the transfer of properties to the REIT Fund I and unrealized revaluation gain on the properties. During 1HFY24, there was no revenue or dividend income from the fund resulting in a loss of PKR 1,562mln. Hence, FCFO stood at PKR -188mln turning the coverage ratio negative at -0.1x.

Capitalization The Company has mainly obtained Short Term borrowings to finance its working capital needs. Total STBs as on Dec 2023 stood at PKR 1,961mln. As a result, the capital structure stood at 18.3%



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

TPL Properties Ltd Real Estate	Dec-23 6M	Jun-23 12M	Jun-22 12M	Jun-21 12M
A BALANCE SHEET				
1 Non-Current Assets	472	306	280	216
2 Investments	-	-	-	-
3 Related Party Exposure	14,175	16,196	9,429	4,619
4 Current Assets	1,609	1,622	2,809	2,666
a Inventories	-	-	-	-
b Trade Receivables	-	-	-	108
5 Total Assets	16,256	18,125	12,518	7,501
6 Current Liabilities	1,510	1,455	1,064	245
a Trade Payables	170	122	70	2
7 Borrowings	2,542	2,143	939	1,608
8 Related Party Exposure	152	800	-	2
9 Non-Current Liabilities	-	-	-	20
10 Net Assets	12,052	13,727	10,515	5,627
11 Shareholders' Equity	12,052	13,727	10,515	5,627
B INCOME STATEMENT				
1 Sales	-	5,286	5,919	284
a Cost of Good Sold	-	(43)	(7)	(9)
2 Gross Profit	-	5,244	5,912	275
a Operating Expenses	(224)	(978)	(950)	(564)
3 Operating Profit	(224)	4,265	4,962	(289)
a Non Operating Income or (Loss)	(1,068)	186	249	133
4 Profit or (Loss) before Interest and Tax	(1,292)	4,452	5,210	(156)
a Total Finance Cost	(270)	(161)	(333)	(425)
b Taxation	-	(20)	(1)	17
6 Net Income Or (Loss)	(1,562)	4,271	4,877	(564)
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	(188)	(798)	2,662	(171)
b Net Cash from Operating Activities before Working Capital Changes	(359)	(888)	2,725	(657)
c Changes in Working Capital	(632)	452	2,037	(222)
1 Net Cash provided by Operating Activities	(990)	(436)	4,762	(879)
2 Net Cash (Used in) or Available From Investing Activities	(1)	(26)	(4,410)	4,645
3 Net Cash (Used in) or Available From Financing Activities	286	163	(676)	(1,905)
4 Net Cash generated or (Used) during the period	(705)	(298)	(324)	1,861
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	N/A	-10.7%	1985.0%	-58.1%
b Gross Profit Margin	N/A	99.2%	99.9%	96.7%
c Net Profit Margin	N/A	80.8%	82.4%	-198.8%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	N/A	-6.5%	79.4%	-138.4%
e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]	-24.2%	35.2%	60.4%	-9.4%
2 Working Capital Management				
a Gross Working Capital (Average Days)	N/A	N/A	7	147
b Net Working Capital (Average Days)	N/A	-7	4	94
c Current Ratio (Current Assets / Current Liabilities)	1.1	1.1	2.6	10.9
3 Coverages				
a EBITDA / Finance Cost	-0.7	-5.3	8.4	-0.5
b FCFO / Finance Cost+CMLTB+Excess STB	-0.1	-0.4	4.5	-0.2
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	-2.8	-3.0	0.4	-2.7
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	18.3%	17.7%	8.2%	22.2%
b Interest or Markup Payable (Days)	127.4	231.4	48.1	37.0
c Entity Average Borrowing Rate	28.4%	12.1%	13.2%	14.2%

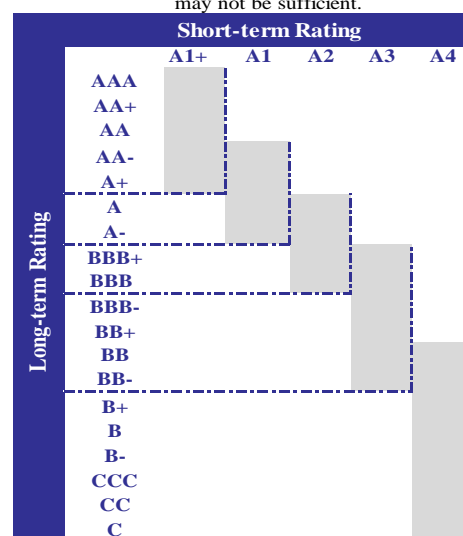
#	Notes
B 3a	Non operating Income or (Loss) contains unrealized loss on investment in REIT Fund I of PKR 1,271mln

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	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. 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	High credit quality. 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+	
BBB	Good credit quality. 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-	
BB+	
BB	Moderate risk. 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-	
B+	
B	High credit risk. 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	
CC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. 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	e) Holding Company Rating
b) Corporate Rating	f) Independent Power Producer Rating
c) Debt Instrument Rating	g) Microfinance Institution Rating
d) Financial Institution Rating	h) Non-Banking Finance Companies Rating

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

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

Proprietary Information

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