



The Pakistan Credit Rating Agency Limited

Rating Report

Ismail Iqbal Securities (Pvt.) Limited

Report Contents

1. Rating Analysis
2. Financial Information
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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
29-Sep-2020	A-	A2	Stable	Upgrade	-
28-Aug-2020	BBB+	A2	Stable	Maintain	-
28-Aug-2019	BBB+	A2	-	Downgrade	-
27-Feb-2019	A-	A2	Stable	Maintain	-
29-Aug-2018	A-	A2	Stable	Upgrade	-
23-Jun-2017	BBB-	A3	Stable	Maintain	-
06-Oct-2016	BBB-	A3	Stable	Maintain	-
06-Oct-2015	BBB-	A3	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The rating's positive impact emanates from i) Restoration in the equity base ii) more so, the documented resolution to take it to PKR 350mln over the near future with a planned injection of PKR 50mln, depending upon the quantum required and as backed by available resources. At the same time, the management is resolute to cease its proprietary book, which will also reduce the short term borrowings by the same margin. Direct reporting of head of departments to CEO augurs well for the Company. Further, the Company has established an audit committee for insightful monitoring. The assigned rating takes into account the company's robust brokerage performance and going forward strategies to intensify the business avenues. The company has lean organizational structure which allows the Company to be cost effective in market upturns without compromising the quality of services. The Company has a leveraged capital structure which is expected to witness improvement post equity injection and reduction in short term borrowings. Sizable liquid assets and support from sponsors provide buffer to the ratings.

The ratings are dependent on the management's ability to retain its market share and enhance the volumes and diversity of revenue to improve its competitive position in the brokerage industry. Retention of key personnel, maintaining strong controls, commitment towards agreed parameters and sustainability of profits will remain critical. Injection of equity to help it reach PKR 350mln and cessation of proprietary book is essential.

Disclosure

Name of Rated Entity	Ismail Iqbal Securities (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Broker Entity Rating(Jun-20)
Related Research	Sector Study Brokerage & Securities(Jan-20)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



PROFILE

Legal Structure Ismail Iqbal Securities (Pvt.) Limited ("Ismail Iqbal" or "The Company") is a private limited company, licensed for equity brokerage and book running.

Background Ismail Iqbal Securities (Pvt.) Ltd with its incorporation in 2004, became corporate member of the Karachi Stock Exchange.

Operations The main activities of the company include equity brokerage and research, corporate finance, and financial advisory.

OWNERSHIP

Ownership Structure The Ismail Iqbal Securities (Pvt.) Ltd. is a family owned business and the stakes are being divided into three siblings where the majority of shareholding lies with Mr. Ahfaz Mustafa (65%). The remaining stake is held by his elder brother Mr. Azhar Iqbal (17.5%) and sister Ms. Ayesha Naseem (17.5%).

Business Acumen The company sponsors possess relevant educational background and extensive industry specific working knowledge. The overall assessment of strategic thinking capability of sponsors is comfortable.

Financial Strength The main sponsor, Mr. Ahfaz Mustafa has a sizeable net worth and has issued a personal guarantee in case of equity erosion in the company

GOVERNANCE

Board Structure The Company's board of directors comprises two experienced individuals including the CEO - Mr. Ahfaz Mustafa. The other director, Mr. Azhar Iqbal is a non-executive director and provides governance oversight. However there is room for improvement through induction of independent director on board.

Members' Profile Mr. Ahfaz Mustafa received his Bachelors of Science (Hons.) degree with majors in Economics from University of Toronto and started off with risk management and has steadily worked his way to the top position in the company. Mr. Azhar Iqbal earned his Bachelors in Economics from the prestigious University of Pennsylvania, and then went on to do his masters from NYU. He remained associated with the financial markets as a research analyst in New York for three years before returning to Pakistan and joining the Ismail Iqbal Group.

Board Effectiveness The company has not yet established any committee at the board level.

Transparency Baker Tilly Mehmood Idrees Qamar are the external auditors and are ranked in the 'A' category in the State Bank's list of approved auditors. The auditor has expressed an unqualified opinion on the financial statements for FY19.

MANAGEMENT

Organizational Structure There are seven departments in the company, which directly report to the CEO. The company has created all requisite positions to ensure smooth operations.

Management Team Mr. Ahfaz Mustafa is the CEO of the company since 2008. He has nearly 12 years of experience in the equity market. Management team of the company comprises seasoned professionals with considerable financial services sector experience. Mr. Sateesh Balani 'Head of Research' is CFA Charter Holder and has over 8 years of extensive experience in the areas of Equity Research, Economic Research, Financial Modeling & Valuations. Mr. Nazim Abdul Mutalib is Head of broking having more than fourteen years of experience in the Pakistan Financial Sector including Capital Market, Banking and Asset Management.

Effectiveness There are no management committees or formal system in place to record and address concerns of management.

Control Environment The company has established adequate risk management framework and has implemented proper policies of KYC and client due diligence (CDD). The company has also formulated its Investment Policy Statement (IPS), underwriting, corporate finance and advisory policy, approved by the board. Investment and underwriting limits are clearly defined in related policies. The company has formal compliance department, headed by a well-qualified compliance manager. The department ensures that all the regulatory requirements are fulfilled on timely basis. However, no formal compliance manual is formed yet.

BUSINESS RISK

Industry Dynamics Improving Balance of Payment position, low Interest rates, increasing foreign remittances and gradual recovery from Covid-19 started turning the tide and helped the benchmark Index post a recovery of ~15,500pts in 6 months from March 2020 to date. The benchmark KSE-100 index rose by ~25% from FY20 to date with an upsurge of average traded volume by ~147% to ~334mln (FY20 ~135mln). Domestic flows completely decoupled from foreign flows, where selling persisted and witnessed an outflow of USD ~77mln from FY20 to date. Going forward, based on medium term expectations of earnings recovery, bulls are likely to continue dominating the market in the short run amidst significant reduction in average positive cases of COVID-19. However, medium to long run trend is dependent upon developments around COVID-19 and restart of the IMF program and the conditions associated with it (tariff hikes, measures for meeting revenue target etc.)

Relative Position Ismail Iqbal Securities (Pvt.) Ltd is an emerging brokerage company. Currently, its market share is ~2%.

Revenue The Company's operating revenue comprises Commission Income, Capital Gains, Dividend Income, Un-Realized Gain/Loss on marketable securities. During FY20, brokerage commission stood at ~PKR 65mln (FY19: ~PKR 49mln). However, the total operating income of the Company significantly rose to ~PKR 106mln in FY20 as compared to ~PKR -8mln in same period last year, mainly on the account of hefty traded volumes and splendid return on the bourse. The Company has posted ~PKR 12mln capital gain and ~PKR 21mln in terms of un-realized gain on short term investments.

Profitability The Company's profit during FY20, elevated to ~PKR 6.5mln as compared to the loss of ~PKR 103mln in SPLY, because of increase in unrealized gain on investment. The loans booked on high interest rates continue to possess a major challenge to the bottom-line of the Company.

Sustainability The brokerage income is expected to improve with recent upward trend and better performance of stock market. The management's ability to strengthen its supplementary income and maintain its niche will be important.

FINANCIAL RISK

Credit Risk For the assessment of client credit worthiness, the company has implemented due diligence procedures in addition to its KYC. Applicable policies and limits for leverage products have been adopted. An automated risk management system is in place that halts transactions for a particular client if margin falls below the allocated limit. Trade debts are low and their ageing is considered to be manageable.

Market Risk As at FY20, the Company had short term investment portfolio of ~PKR 131mln (FY19: ~PKR 150mln), which comprised quoted securities. Proprietary listed securities as compared to company's equity comprised ~46% in FY20 (FY19: ~48%). Trading in proprietary book creates conflict of interest, risk of front running and inherently bears market risk. The Company has formulated an investment policy to address the key issues like scrip level and sector level limits.

Liquidity Risk The liquidity risk for the Company arises from T+2 settlement framework. At the end of FY20, the liquid assets were 0.57x of the total asset book (FY19: 0.45x). The Company has increased the approved bank lines by PKR 2mln to ~PKR 735mln, (FY19: 535mln). Liquid assets in relation to total liabilities stood at 1.11x (FY19: 1.14x), which are sufficient to cover the current liabilities of the Company.

Coverages The coverages of the company are revamped due to operating profits.

Capitalization The company's total debt stood at ~61% of its equity at FY20 (FY19: ~48%). The debt comprises short-term borrowings as well as loan term loan from director of ~PKR 9mln. At end FY20 the Net Capital Balance (NCB) of the company witnessed YoY decline and currently stood at ~PKR 153mln (FY19: ~PKR 195mln). The equity of the Company witnessed erosion YoY due to continuous losses and currently stood at PKR ~284mln. The strategic decision of the board members is to increase the equity by internally generated profits on account of recuperate stock market position and expected bull-run in upcoming years or in case of need the sponsors will inject capital in the Company.

**ISMAIL IQBAL SECURITIES PRIVATE LIMITED
BALANCE SHEET**

As at

A. EARNING ASSETS
a. Finances

1. Margin Financing
2. Ready Futures (Spread Transactions)

b. Investments

1. Deposits with Banks and other institutions
2. Govt. Securities and Money Market Fund
3. Debt Securities & Income Funds
4. Long-Term
 - i) Listed Equities
 - ii) TREC
5. Short-Term
 - i) Listed Equities
 - i) Takaful

Total Earning Assets
B. NON-EARNING ASSETS

1. Cash and Bank Balances-Own Funds
2. Cash and Bank Balances-Client's Funds
3. Advance Tax
4. Accounts Receivable
5. Advances, Deposits and Other receivables
6. Fixed Assets

Non-Earning Assets
C. TOTAL ASSETS
D. Funding
1. Commercial

- i) Advances from Customers
- ii) Trade paybales

2. FIs

- i) Short-term Borrowings
- ii) Current Maturity of Long Term Debt
- iii) Long-term Borrowings

Current Liabilities
E. Other Liabilities

1. Borrowings
2. Trade Paybales
3. Other Liabilities (staff gratuity, Accrued mark-up)
4. Provision for Taxation

Other Liabilities
F. EQUITY

1. Share Capital
2. Reserves:
 - i. Statutory Reserve
 - ii. Capital Reserve
 - iii. Reserve for Bonus Shares
 - iv. Revenue Reserve
 - v. Unappropriated Profit

Pure Equity

3. Surplus/(Deficit) on Revaluation of Investments
3. Unclaimed dividend

Total Equity
G. TOTAL LIABILITIES & EQUITY
H. CONTINGENT LIABILITIES

	30-Jun-20 FY20	30-Jun-19 FY19	30-Jun-18 FY18	30-Jun-17 FY17
	Un-audited	Audited	Audited	Audited
	0	0	0	79
	0	0	0	0
	0	0	0	79
	197	165	51	18
	0	0	0	0
	0	0	0	0
	16	10	60	60
	3	3	3	5
	131	150	71	137
	7	7	7	7
	353	335	191	226
	353	335	191	306
	0	0	0	0
	207	66	72	50
	48	50	45	45
	42	36	83	43
	49	50	72	251
	20	22	21	24
	366	224	293	414
	719	558	485	720
	0	0	0	0
	234	71	91	116
	234	71	91	116
	171	149	6	134
	0	0	2	0
	9	2	0	0
	180	151	8	134
	414	222	99	251
	0	0	0	0
	0	0	0	0
	21	23	6	14
	0	0	0	0
	21	23	6	14
	347	347	347	347
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	(63)	(32)	34	109
	(63)	(32)	34	109
	284	315	381	455
	0	0	0	0
	0	0	0	0
	284	315	381	455
	719	558	485	720
	0	0	0	0

ISMAIL IQBAL SECURITIES PRIVATE LIMITED
INCOME STATEMENT

For the period ended

	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
	FY20	FY19	FY18	FY17
	Un-audited	Un-audited	Audited	Audited
1. Fee-Based Income				
a. Advisory Fees	0	0	0	0
b. Commission / Underwriting	0	0	0	0
c. Brokerage	65	49	40	66
d. Others (including MFS)	3	7	9	1
	68	57	49	67
2. Operating Expenses				
a. Personnel Expenses*	(31)	(34)	(31)	(34)
b. Other Non-interest/Mark Up Expenses*	(40)	(39)	(41)	(25)
	(71)	(73)	(72)	(59)
3. Brokerage Income / (Loss)	(3)	(16)	(24)	8
4. Non Fee-Based Income				
a. Finances	0	0	0	0
a. Placements (including Reverse REPO/COI/CFS)	0	0	0	0
b. Bank Deposits and Margin finance	0	0	9	0
	0	0	9	0
5. Other Income				
c. Dividend Income	5	3	9	0
d. Gain on Sale of Investments	12	(29)	(33)	172
e. Surplus/(Deficit) on Revaluation of Investments	21	(39)	(10)	15
f. Share of profit of subsidiaries/associates	0	0	0	0
g. Others	0	0	0	0
	38	(65)	(34)	186
<i>Non-fee based + Other Income</i>	38	(65)	(25)	186
6. Total Operating Income / (Loss)	35	(81)	(49)	194
7. Financial Charges	(28)	(15)	(9)	(15)
8. Other Income / (Loss)	0	0	0	19
9. Profit / (Loss) Before Tax	7	(96)	(58)	199
10. Taxes	(0)	(7)	(17)	(15)
11. Net Income	6	(103)	(75)	184

**ISMAIL IQBAL SECURITIES PRIVATE LIMITED
RATIO ANALYSIS**

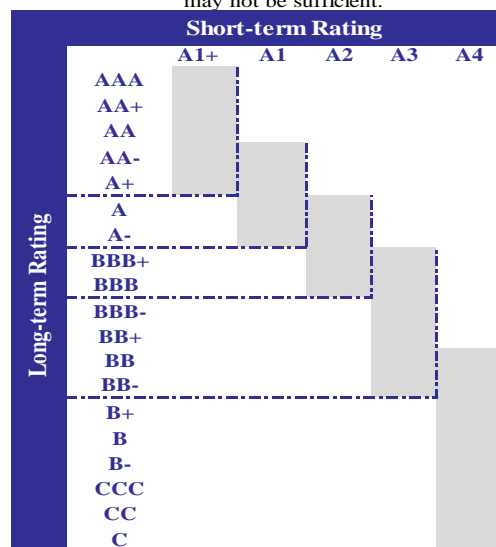
	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
	FY20	FY19	FY18	FY17
	Audited	Audited	Audited	Audited
A. PERFORMANCE				
1. ROE	2.63%	-35.15%	-15.85%	48.37%
a Net Profit Margin	9.5%	-182.1%	-154.1%	275.5%
b Asset Turnover	11.0%	10.9%	8.1%	11.1%
c Financial Leverage	2.53	1.77	127.4%	1.58
2. ROA	0.9%	-18.5%	-15.4%	25.6%
3. Cost-to-Fee Income	204.8%	-90.1%	-148.5%	30.3%
4. Cost-to-Total Operating Income	67.2%	-908.2%	306.2%	23.3%
5. Taxes / Pre-Tax Profit	3.3%	-7.4%	-29.0%	7.5%
6. Net Non-Earning Assets / Assets net of Non-Interest Liabilities	49.4%	37.6%	60.0%	56.7%
B. FINANCIAL EXPOSURE				
1. Short Term Proprietary Listed Securities / Equity	46.1%	47.8%	18.5%	30.0%
2. Total Investments / Equity	55.1%	54.0%	36.9%	45.8%
3. Fixed Income / Total Capital	0.0%	0.0%	0.0%	0.0%
4. NCB / Equity	49.7%	62.3%	53.6%	34.0%
C. LIQUIDITY				
1. Trade Related Assets / Trade Related Liabilities	0.18	0.50	0.91	0.37
2. Liquid Assets/ Short Term Borrowings + Creditors	0.83	1.47	1.30	0.64
3. Liquid Assets / Total Assets	0.47	0.58	0.27	0.22
4. Liquid Assets / Trade Related Liabilities	1.43	4.56	1.41	1.39
5. Liquid Assets / (Short term Borrowings + Advances from Customers + Accounts Payable)	0.83	1.47	1.30	0.64
D. CAPITAL ADEQUACY				
1. Equity / Total Assets	39.5%	56.4%	78.5%	63.3%
2. Total Debt / Equity	63.5%	47.9%	2.0%	29.5%
E. GROWTH				
1. Total Assets	35.8%	15.0%	-32.6%	49.3%
2. Investments	34.8%	75.1%	-37.4%	36.7%
3. Equity	-16.0%	-17.3%	-16.4%	67.8%
4. Brokerage Revenue	136.6%	23.0%	-39.4%	42.2%
5. Investment Yield	12.2%	-24.6%	-10.1%	70.4%

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	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+	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	
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	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.
CC	
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):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk 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.
- (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 | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(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 | 18-(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 | 18-(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-(F-VII)

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