



The Pakistan Credit Rating Agency Limited

## Rating Report

### Pakistan Services Limited | Sukuk | Mar-18

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
24-Mar-2021	A	-	Negative	Maintain	YES
24-Mar-2020	A	-	Negative	Downgrade	YES
20-Nov-2019	AA-	-	Developing	Maintain	YES
21-May-2019	AA-	-	Stable	Maintain	-
19-Nov-2018	AA-	-	Stable	Maintain	-
29-Mar-2018	AA-	-	Stable	Initial	-
26-Oct-2017	AA-	-	Stable	Preliminary	-

#### Rating Rationale and Key Rating Drivers

Pakistan Services Limited's (The Company) has a leading position in the hospitality industry. Hospitality and tourism industry was affected due to outbreak of Covid-19 with associated lockdown and travel restrictions around the globe. Pandemic situation is still underway as third wave is around reflecting uncertainty in the industry. Overall hotels and hospitality industry dynamics started improvement, restrictions were softened and economic activity resumed. Hotel industry is allowed to operate under specific SOPs, which led the Company to achieve limited profitability in 2QFY21 and came back to operating profit level at the half year close. Challenges persists like low occupancy rate and reduction in average daily room rate. As a response to address the challenges, the Company managed to achieve alignment of its cash flows and payables by deferring long term debt which will eventually ease out liquidity pressure for near future. Furthermore, management decision to dispose of non-core assets will supplement the future liquidity position. Capital structure of the Company reflects leveraging with large asset base but on the other hand coverages are weak due to lower cashflows and higher debt servicing cost. Alignment of long-term loan is alleviating this pressure. Financial support from sponsors remains imperative.

Ratings are dependent on effective implementation of envisaged strategy to improve cashflows while maintaining modest leveraging and strengthening coverages. Any significant delay in commencement of new projects and/or further deterioration in margins coupled with low occupancy rate leading to weak coverages and pressure on liquidity, will have a negative impact on ratings. Meanwhile, maintaining sufficient cushion for debt repayment remains crucial. Outlook on the entity is negative while rating watch maintained. In this respect, removal of material uncertainty related to going concern as documented by the external auditors is important.

#### Disclosure

<b>Name of Rated Entity</b>	Pakistan Services Limited   Sukuk   Mar-18
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Debt Instrument Rating
<b>Applicable Criteria</b>	Methodology   Sukuk(Jun-20),Methodology   Debt Instrument(Jun-20),Criteria   Rating Modifier(Jun-20)
<b>Related Research</b>	Sector Study   Hotel & Retail Industry(Jun-20)
<b>Rating Analysts</b>	Timnat Thomas   timnat.thomas@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Pakistan Services Limited (the Company) is a public limited company, quoted on the Pakistan Stock Exchange.

**Background** The Company was incorporated in 1958 by the Government of Pakistan and Pakistan International Airlines, with four hotels in Karachi, Lahore, Rawalpindi and Peshawar. The hotels were managed by InterContinental Hotels & Resorts up until 1985, after which they took an exit from Pakistan. Subsequently, Hashoo Group successfully bid for the hotels in the same year and commenced operations under the brand 'Pearl Continental Hotels'.

**Operations** Pakistan Services Limited (PSL) operates six luxury hotels with 1,526 total rooms in all major cities i.e. Karachi, Lahore, Rawalpindi, Peshawar, Bhurban and Muzafarabad under 'Pearl Continental'.

## Ownership

**Ownership Structure** Majority stake in Pakistan Services Limited is owned & controlled by foreign companies. The remaining shareholding is held through local associated companies and directors.

**Stability** Ownership structure of the Company is stable as there is limited free-float and no ownership changes are expected.

**Business Acumen** Hashoo Group was established in 1960 by Sadruddin Hashwani, Chairman of the Group. The Group penetrated the hospitality industry by setting up its first hotel in 1978 and the second in 1981 under the brand 'Holiday Inn'. In the following years, the Group acquired Pakistan Services Limited and gained franchise rights for Marriott Hotels by Marriott International. The sponsor have considerable expertise in hospitality sector.

**Financial Strength** The Company's financial strength is derived from the support of its Group. The Group has business ventures spread across various industries, both, locally and internationally. The Group activities encompass hospitality, oil & gas exploration and production, information technology, minerals, pharmaceuticals, real estate and commodity trading. In addition to operating Pearl Continental through Pakistan Services Limited, the Group operates two Marriott Hotels (Islamabad and Karachi) and one property of Pearl Continental located in Gwadar and a chain of budget hotels under Hotel One (Pvt.) Limited through Hashwani Hotels Limited.

## Governance

**Board Structure** The Company's Board comprises nine members. Three are Executive Directors, three are Non-Executive Directors and three are Independent Directors.

**Members' Profile** Mr. Sadruddin Hashwani, Chairman of the board, possesses more than four decades of experience in hospitality sector. Other Board members also have well diversified and extensive profiles. They include professional accountants, lawyers and experienced individuals from hospitality industry.

**Board Effectiveness** The board has formed four committees namely; i) Audit Committee ii) Human Resource Committee iii) Nomination Committee and iv) Risk management Committee to comply with the code of corporate governance. During the FY20, four board meetings were held in which attendance of the board members remained adequate. The Company maintains board meeting minutes in a proper manner.

**Financial Transparency** KPMG Taseer Hadi & Co. is the external auditor of the Company. The auditor has given an unqualified opinion on the financial statements for year ended June 30th, 2020.

## Management

**Organizational Structure** The Company has a well-defined organizational structure. The highest level of authority lies with the Chief Executive who is aided by the Vice Chairman.

**Management Team** Mr. Murtaza Hashwani is the CEO of the Company. He is a graduate from Santa Monica University, USA, and carries experience of over 2 decades managing hospitality, oil & gas and pharmaceutical sectors. Mr. Tahir Mahmood, has replaced Mr. Javed Iqbal as the Company's CFO, is an experienced professional having association with Hashoo group from last 13 years. Other members of management tier are all seasoned professionals with relevant experience.

**Effectiveness** In order to ensure efficient operations, the Company relies on constructing and implementing strict budgets. Moreover, to devise future strategies while evaluating current performance, various reports on a frequent basis are submitted to the top management.

**MIS** The Company has implemented 'Opera', an integrated, cloud-based, management system designed specifically for the hospitality industry by Oracle.

**Control Environment** The Company has formed an efficient internal audit department, which reports to the Audit committee of the board. The department works primarily in three dimensions i) Assurance, ii) Consulting and (iii) Investigation.

## Business Risk

**Industry Dynamics** Improvement in infrastructure, coupled with improving security conditions, led to growth in Pakistan's hospitality sector in past few years. Additionally, progression of China Pakistan Economic Corridor (CPEC) boosted the industry. The luxury hotels space in Pakistan is largely dominated by a few major players as barriers to entry exist due to the capital intensive nature of the business. However, slowdown in Pakistan's economic growth from FY19, geopolitical tensions and global outbreak of Covid-19 pandemic are further expected to dampen the demand for luxury hotels and affect all players in the industry.

**Relative Position** Pakistan Services Limited, operating under the brand 'Pearl Continental', is the leading 5 star brand in the country with 1,526 rooms, followed by Serena Hotels, Avani Hotels and Marriott Hotels, respectively.

**Revenues** The Company generates its revenue from four sources, namely, rooms (largest contributor), food & beverage, other related services and shop license fee. During FY20, the Company posted revenues worth PKR 8,130mln (FY19: PKR 10,138mln). However, improvement in occupancy rates is unlikely to be sustainable amid current situation of Covid-19.

**Margins** During FY20, the Company witnessed a decline in gross profit margin, which decreased to 33.1% (FY19: 40.1%). Gross profit margin decreased on the back of lower revenue YoY. Impact of lower revenue combined with higher operating expenses. The Company has recorded a net loss of PKR 1,744mln during FY20. However the pace of decline has now slowed during 2QFY21 as operating profits turned positive to PKR 252mln as compared to operating loss of PKR 42mln in 1QFY21. PSL has posted net loss of PKR 300mln in IHFY21.

**Sustainability** Going forward, improvement in profitability and margins would be critical at a time when occupancy rates are expected to experience a significant drop due to current situation of Covid-19.

## Financial Risk

**Working Capital** During FY20, the Company was not able to maintain a strong position on its working capital management with net working capital cycle at -28days (FY19: -6days). However, during 1HFY21, the Company's net working capital cycle further decreased to -46days. Materialization of initiatives to improve cashflows is critical for the Company, in order to eliminate asset liability mismatch.

**Coverages** During IHFY21, the Company's free cashflows from operations reached to PKR 676mln (FY20: 895mln, FY19: PKR 1,525mln). The interest coverage ratio fell to 1.2x (FY19: 2x) and debt coverage ratio to 0.2x in IHFY21 (FY20: 0.1x, FY19: 0.3x).

**Capitalization** Total borrowings during IHFY21 clocked in at PKR 17,184mln (FY20: 16,974mln, FY19: PKR 15,825mln). Leveraging ratio during 1HFY20 clocked in at ~33% remaining almost stagnant.



Pakistan Services Limited		Dec-20	Jun-20	Jun-19	Jun-18
STATEMENT OF FINANCIAL POSITION		6M	12M	12M	12M
		Management	Audited	Audited	Audited
<b>A NON-CURRENT ASSETS</b>					
1	Operating Fixed Assets - Owned and Leasehold	43,318	43,739	42,519	41,457
2	Intangible Assets	92	-	-	-
3	Other Non-Current Assets	33	34	62	38
4	Deferred Taxation	-	-	-	-
<i>Non-Current Assets</i>		43,443	43,773	42,582	41,495
<b>B INVESTMENTS</b>					
1	Equity Instruments	3,336	4,035	622	1,114
2	Debt Instruments	-	651	1,094	2,010
3	Investment Property	3,269	2,974	2,809	60
<i>Investments</i>		6,604	7,660	4,525	3,183
<b>C RELATED PARTY EXPOSURE</b>					
1	Equity Instruments	1,038	1,038	1,038	1,038
2	Debt Instruments (Including Lending)	2,676	1,338	3,413	2,015
3	Due from Related Parties	-	28	64	30
<i>Related Party Exposure</i>		3,714	2,404	4,514	3,083
<b>D CURRENT ASSETS</b>					
1	Stores and Spares	263	221	227	194
2	Inventories				
	a. Raw Material	66	69	86	86
	b. Work in Process	-	-	-	-
	c. Finished Goods	-	-	-	-
		66	69	86	86
3	Trade Receivables	335	195	543	705
4	Advances to Suppliers	-	45	63	68
5	Taxes	488	481	455	217
6	Taxes Refundable	-	133	114	-
7	Other Current Assets	432	168	705	241
8	Cash and Bank Balances	372	359	241	1,267
<i>Current Assets</i>		1,956	1,672	2,435	2,778
		55,717	55,509	54,056	50,540
<b>E TOTAL ASSETS</b>					
<b>F CURRENT LIABILITIES</b>					
1	Trade Payables	1,372	945	463	549
2	Advances from Customers	519	404	-	289
3	Taxes	-	77	105	107
4	Interest or Markup Payable	-	-	380	224
5	Workers' Funds	-	-	-	-
6	Accrued Liabilities	457	648	599	564
7	Other Current Liabilities	657	474	765	428
8	Dividend Payable	11	11	11	28
<i>Current Liabilities</i>		3,016	2,559	2,323	2,188
<b>G BORROWINGS</b>					
1	Current Maturity of Long-Term Borrowings	4,477	4,631	2,708	1,347
2	Short-Term Borrowings				
	a. Borrowings From FI	2,607	2,807	1,265	554
	b. Borrowings From SBP	-	-	-	-
<i>Short-Term Borrowings</i>		2,607	2,807	1,265	554
3	Long-Term Borrowings				
	a. Borrowings From FI	5,098	4,852	(813)	7,323
	b. Borrowings From SBP	-	-	-	-
<i>Long-Term Borrowings</i>		5,098	4,852	(813)	7,323
4	Debt Instruments	5,003	4,684	6,222	2,333
5	Preference Share Capital	-	-	-	-
<i>Borrowings</i>		17,184	16,974	9,381	11,557
<b>H RELATED PARTY EXPOSURE</b>					
1	Borrowings	-	45	-	15
2	Subordinate Borrowings	-	-	-	-
3	Due to Related Parties	-	-	21	-
<i>Related Party Exposure</i>		-	45	21	15
<b>I NON-CURRENT LIABILITIES</b>					
1	Deferred Taxation	125	239	430	273
2	Other Non-Current Liabilities	766	765	774	666
<i>Non-Current Liabilities</i>		891	1,005	1,204	939
<b>J NET ASSETS (E-F-G-H-I)</b>		34,626	34,925	41,127	35,840
<b>K SHAREHOLDERS' EQUITY</b>					
1	Ordinary Share Capital	325	325	325	325
2	Capital Reserves	269	269	269	269
3	Revaluation Reserve				
	a. Fixed Assets	29,243	29,243	27,531	27,531
	b. Investments	-	-	-	-
		29,243	29,243	27,531	27,531
4	Revenue Reserves				
	a. General Reserves	4,788	1,600	1,600	1,600
	b. Unappropriated Profit	-	3,488	5,180	6,115
		4,788	5,088	6,780	7,715
<i>Shareholders' Equity</i>		34,626	34,925	34,905	35,840
<b>L MEMORANDUM ITEM/S</b>					
1	Short Term Borrowing Limits	2,630	2,630	1,620	1,770
2	Commitments and Contingencies	2,992	2,992	0	0



Pakistan Services Limited

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

**A SALES**

- 1 Local
- 2 Export
- 3 Sales Tax
- 4 Discount
- 5 Others

*Sales*

**B COST OF GOOD SOLD**

- 1 Raw Material
- 2 Salaries, Wages and Benefits
- 3 Energy
- 4 Depreciation and/or Amortization
- 5 Others

*Cost of Good Sold*

**C GROSS PROFIT**

**D Operating Expenses**

- 1 Administrative and General Expenses
- 2 Selling and Marketing Expenses

*Operating Expenses*

**E OPERATING PROFIT**

**F NON OPERATING INCOME OR (EXPENSE)**

**1 Related Party**

- a. Dividend Income
- b. Share of Profit or (Loss)
- c. Return on Lending

*Related Party*

**2 Income or Expense from Financial Assets**

- a. Dividend Income
- b. Interest Income
- c. Gain or (loss) on Disposal of Investments
- d. Unrealized Gain or (Loss) on Investments

*Income or Expense from Financial Assets*

**3 Income or Expense from Non-Financial Assets**

- a. Profit or (Loss) on Sale of Assets
- b. Rental Income
- c. Surplus or (Deficit) on Revaluation
- d. Exchange Gain or (Loss)
- e. Other Income or (Expense)
- f. Extraordinary Items

*Income or Expense from Non-Financial Assets*

*Non Operating Income or (Expense)*

**G PROFIT OR (LOSS) BEFORE INTEREST AND TAXES**

**H TOTAL FINANCE COST**

**1 Finance Cost**

- a. Markup on borrowings
- b. Markup on Borrowings from Related Parties
- c. Dividend on Preference Shares

*Finance Cost*

- 2 Other Charges
- 3 Capitalized Interest

*Total Finance Cost*

**I PROFIT OR (LOSS) BEFORE TAXATION**

**J Taxation**

**K NET INCOME OR (LOSS)**

**L OTHER COMPREHENSIVE INCOME**

- 1 Items Potentially Re-classified to Profit & Loss
- 2 Items Not Potentially Re-classified to Profit & Loss

**M TOTAL COMPREHENSIVE INCOME OR (LOSS)**

**N Unappropriated Profit or (Loss) Brought Forward**

**O Appropriations**

- 1 Reserves
- 2 Dividends
  - a. Stock
  - b. Cash

*Dividends*

**P Unappropriated Profit or (Loss) Carried Forward**

	Dec-20	Jun-20	Jun-19	Jun-18
	6M	12M	12M	12M
	Management	Audited	Audited	Audited
<b>A SALES</b>				
1 Local	3,869	9,538	11,983	12,362
2 Export	-	-	-	-
3 Sales Tax	(534)	(1,278)	(1,629)	(1,666)
4 Discount	(79)	(131)	(216)	(169)
5 Others	-	-	-	-
<i>Sales</i>	3,255	8,130	10,138	10,527
<b>B COST OF GOOD SOLD</b>				
1 Raw Material	(647)	(1,296)	(1,754)	(1,714)
2 Salaries, Wages and Benefits	(486)	(1,581)	(1,728)	(1,556)
3 Energy	(335)	(812)	(1,032)	(700)
4 Depreciation and/or Amortization	(430)	(859)	(787)	(582)
5 Others	(366)	(891)	(768)	(1,095)
<i>Cost of Good Sold</i>	(2,264)	(5,439)	(6,068)	(5,647)
<b>C GROSS PROFIT</b>	992	2,691	4,070	4,880
<b>D Operating Expenses</b>				
1 Administrative and General Expenses	(965)	(2,714)	(3,207)	(3,268)
2 Selling and Marketing Expenses	(39)	(187)	(23)	-
<i>Operating Expenses</i>	(1,004)	(2,901)	(3,230)	(3,268)
<b>E OPERATING PROFIT</b>	(12)	(210)	840	1,612
<b>F NON OPERATING INCOME OR (EXPENSE)</b>				
<b>1 Related Party</b>				
a. Dividend Income	-	-	-	55
b. Share of Profit or (Loss)	-	-	-	-
c. Return on Lending	-	-	-	-
<i>Related Party</i>	-	-	-	55
<b>2 Income or Expense from Financial Assets</b>				
a. Dividend Income	46	41	-	-
b. Interest Income	114	122	251	44
c. Gain or (loss) on Disposal of Investments	-	-	-	-
d. Unrealized Gain or (Loss) on Investments	-	-	67	(250)
<i>Income or Expense from Financial Assets</i>	160	164	318	(206)
<b>3 Income or Expense from Non-Financial Assets</b>				
a. Profit or (Loss) on Sale of Assets	-	(126)	(1)	(61)
b. Rental Income	137	66	53	68
c. Surplus or (Deficit) on Revaluation	-	(112)	(492)	10
d. Exchange Gain or (Loss)	-	5	-	-
e. Other Income or (Expense)	46	98	65	135
f. Extraordinary Items	-	-	-	-
<i>Income or Expense from Non-Financial Assets</i>	182	(69)	(373)	152
<i>Non Operating Income or (Expense)</i>	342	95	(55)	1
<b>G PROFIT OR (LOSS) BEFORE INTEREST AND TAXES</b>	330	(116)	785	1,613
<b>H TOTAL FINANCE COST</b>				
<b>1 Finance Cost</b>				
a. Markup on borrowings	(557)	(1,638)	(1,061)	(579)
b. Markup on Borrowings from Related Parties	-	-	-	-
c. Dividend on Preference Shares	-	-	-	-
<i>Finance Cost</i>	(557)	(1,638)	(1,061)	(579)
2 Other Charges	(139)	(90)	(93)	(146)
3 Capitalized Interest	-	-	-	-
<i>Total Finance Cost</i>	(697)	(1,728)	(1,154)	(726)
<b>I PROFIT OR (LOSS) BEFORE TAXATION</b>	(367)	(1,843)	(369)	887
<b>J Taxation</b>	68	99	(494)	(392)
<b>K NET INCOME OR (LOSS)</b>	(300)	(1,744)	(863)	496
<b>L OTHER COMPREHENSIVE INCOME</b>				
1 Items Potentially Re-classified to Profit & Loss	-	-	(15)	(35)
2 Items Not Potentially Re-classified to Profit & Loss	-	-	(57)	-
	-	-	(72)	(35)
<b>M TOTAL COMPREHENSIVE INCOME OR (LOSS)</b>	(300)	(1,744)	(935)	461
<b>N Unappropriated Profit or (Loss) Brought Forward</b>	6,115	6,115	6,115	6,142
<b>O Appropriations</b>				
1 Reserves	-	-	-	-
2 Dividends				
a. Stock	-	-	-	-
b. Cash	-	-	-	(488)
<i>Dividends</i>	-	-	-	(488)
<b>P Unappropriated Profit or (Loss) Carried Forward</b>	5,815	4,371	5,180	6,115



Pakistan Services Limited  
STATEMENT OF CASHFLOWS

**A CASH FLOWS FROM OPERATING ACTIVITIES**

	Dec-20	Jun-20	Jun-19	Jun-18
	6M	12M	12M	12M
	Management	Audited	Audited	Audited
1 Profit Before Tax	(367)	(1,843)	(369)	887
2 Adjustments for:				
a. Depreciation and/or Amortization	518	1,045	897	647
b. Other Non-Cash Charges or Items	(50)	197	652	389
c. Recurring Non Core (Income) or Expense	-	(41)	(191)	(96)
d. Total Finance Cost	697	1,729	1,154	726
	1,165	2,929	2,513	1,666
<b>EBITDA</b>	797	1,086	2,144	2,553
3 Subtract:				
a. Taxes Paid	(54)	(139)	(546)	(471)
b. Others	(68)	(52)	(74)	(69)
<b>Free Cash Flows from Operations (FCFO)</b>	676	895	1,525	2,014
4 Related Parties - Income receipt or (expense paid)	-	-	(55)	-
5 Other Investments - Income receipt or (expense paid)	-	-	-	-
<b>Total Operating Cash Flows (TCF)</b>	676	895	1,469	2,014
6 Total Finance Cost Paid	(176)	(1,948)	(1,308)	(629)
<b>Net Cash from Operating Activities before Working Capital Changes (WCC)</b>	500	(1,053)	162	1,385
7 Changes in Working Capital				
a. (Increase) or Decrease in Total Current Assets	(275)	301	(119)	(185)
b. Increase or (Decrease) in Total Current Liabilities (Excl. Borrowings)	31	629	2	319
	(244)	930	(117)	134
<b>Net Cash provided by Operating Activities</b>	256	(123)	44	1,518

**B CASH FLOWS FROM INVESTING ACTIVITIES**

1 Capital Expenditure	(438)	(1,810)	(4,428)	(493)
2 Proceeds from sale of Fixed Assets	399	595	118	60
3 (Purchase) or Sale of Investments	77	1,081	(756)	(3,531)
4 Investment or Loan in Related Party	-	-	-	-
5 Others	28	55	31	69
<b>Net Cash (Used in) or Available From Investing Activities</b>	66	(79)	(5,035)	(3,894)

**C CASH FLOWS FROM FINANCING ACTIVITIES**

1 Proceeds from Issue of Ordinary Shares	-	-	-	-
2 Dividends Paid	-	-	(18)	(476)
3 Net Increase or (Decrease) in Short Term Borrowings	-	-	691	214
4 Net Increase or (Decrease) in Long Term Borrowings	(71)	(1,095)	3,291	3,635
5 Net Increase or (Decrease) in Preference Share Capital	-	-	-	-
6 Rentals Against Lease	(62)	-	-	-
7 Others	(150)	72	-	-
<b>Net Cash (Used in) or Available From Financing Activities</b>	(283)	(1,023)	3,965	3,373

**D CASH GENERATED OR (USED) DURING THE PERIOD**

**E OPENING BALANCE OF CASH AND BANK BALANCES**

**F CLOSING BALANCE OF CASH AND BANK BALANCES**

	38	(1,225)	(1,026)	997
	(2,229)	(1,003)	1,267	271
	(2,190)	(2,229)	241	1,267



Dec-20	Jun-20	Jun-19	Jun-18
6M	12M	12M	12M
Management	Audited	Audited	Audited

**BUSINESS RISK**

**A REVENUES**

1 Sales Growth (for the period)	-19.9%	-19.8%	-3.7%	7.3%
2 Sales Average 3-year Growth	-6.4%	-5.4%	N/A	N/A
3 Non Operating Income or (Expense) / Profit Or (Loss) Before Interest And Taxes	103.8%	-82.0%	-7.0%	0.0%

**B COST STRUCTURE**

1 Gross Profit Margin	30.5%	33.1%	40.1%	46.4%
2 Operating Profit Margin	-0.4%	-2.6%	8.3%	15.3%
3 PBIT Margin	10.1%	-1.4%	7.7%	15.3%
4 Net Profit Margin	-9.2%	-21.5%	-8.5%	4.7%
5 Effective Tax Rate	18.4%	5.4%	-134.0%	44.1%
6 Dividend Cover (X) [Net Income Or (Loss) / Dividends]	N/A	N/A	N/A	1.0
7 Finance Cost / Sales	17.1%	20.1%	10.5%	5.5%
8 Cash Conversion Efficiency (FCFO/Sales)	20.8%	11.0%	15.0%	19.1%
9 Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	13.3%	22.5%	13.9%	20.4%
10 EBITDA x (1 - Effective Tax Rate) / Total Assets	2.3%	1.9%	9.6%	3.1%
11 Return on Assets [Net Income Or (Loss) / Total Assets]	-1.1%	-3.2%	-1.7%	1.1%
12 Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity )]	-1.7%	-5.1%	-2.6%	1.5%
13 Asset Turnover (Sales / Total Assets)	11.7%	14.8%	19.4%	22.7%

**FINANCIAL RISK**

**C WORKING CAPITAL MANAGEMENT**

1 Inventories (Average Days)	4	3	3	3
a. Raw Material (Average Days)	4	3	3	3
b. Work in Process (Average Days)	N/A	N/A	N/A	N/A
c. Finished Goods (Average Days)	N/A	N/A	N/A	N/A
2 Trade Receivables (Average Days)	15	17	22	25
3 Gross Working Capital (Average Days)	19	20	26	28
4 Trade Payables (Average Days)	65	32	18	19
5 Net Working Capital (Average Days)	(46)	(12)	7	9
6 Short-Term Trade Leverage	-1023.3%	-839.0%	-114.2%	-61.9%
7 Short-Term Total Leverage	-6.3%	15.6%	13.6%	53.5%
8 Current Ratio (Current Assets / Current Liabilities)	0.6	0.7	1.0	1.3

**D COVERAGES**

1 EBITDA / Finance Cost	1.4	0.7	2.0	4.4
2 FCFO Growth (for the period)	50.9%	-41.3%	-24.3%	0.7%
3 FCFO Average 3-year Growth	23.9%	-32.5%	N/A	N/A
4 FCFO / Finance Cost	1.2	0.5	1.4	3.5
5 FCFO / Finance Cost+CMLTB+Excess STB	0.2	0.1	0.4	1.0
6 TCF / Finance Cost+CMLTB+Excess STB	0.2	0.1	0.4	1.0
7 Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	63.0	(19.1)	17.5	7.7
8 Liquid Cover (Cash and Bank Balances+Unutilized Credit Lines+Liquid Investments+FCFO) / (Finance Cost + CMTLB + Excess STB)	1.4	1.9	2.3	9.9

**E CAPITAL STRUCTURE**

1 Total Borrowings / (Total Borrowings+Shareholders' Equity)	33.2%	32.8%	21.2%	24.4%
2 Short-Term Borrowings / Total Borrowings	15.2%	16.5%	13.5%	4.8%
3 Short-Term Borrowings - Utilized	99.1%	106.7%	78.1%	31.3%
4 Interest or Markup Payable (Days)	0.0	0.0	130.7	141.1
5 Spread over KIBOR	7.6%	3.9%	-1.4%	-0.1%
6 Off-Balance Sheet Exposure (Commitments and Contingencies / Shareholders' Equity)	8.6%	8.6%	0.0%	0.0%





Pakistan Services Limited

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
	Management	Management	Audited	Management	Audited	Audited	Audited	Audited	Audited	Audited	Audited
<b>A SALES</b>											
1 Local	2,388	1,481	330	2,888	3,526	2,794	2,781	3,270	3,233	2,698	2,729
2 Export	-	-	-	-	-	-	-	-	-	-	-
3 Sales Tax	(328)	(207)	(44)	(387)	(472)	(374)	(376)	(444)	(440)	(370)	(370)
4 Discount	(59)	(20)	76	(65)	(79)	(63)	(78)	(52)	(39)	(47)	(45)
5 Others	-	-	-	-	-	-	-	-	-	-	-
	2,001	1,254	362	2,437	2,975	2,357	2,328	2,774	2,754	2,282	2,314
<b>B COST OF GOOD SOLD</b>											
1 Raw Material	(385)	(262)	(190)	(344)	(397)	(365)	(445)	(453)	(447)	(409)	(440)
2 Salaries, Wages and Benefits	(294)	(192)	(271)	(407)	(470)	(453)	(432)	(444)	(431)	(420)	(391)
3 Energy	(169)	(165)	186	(310)	(358)	(330)	(295)	(355)	(152)	(230)	(14)
4 Depreciation and/or Amortization	(220)	(210)	(201)	(205)	(236)	(217)	(214)	(198)	(187)	(187)	(173)
5 Others	(232)	(134)	(395)	(154)	(178)	(164)	(203)	(84)	(252)	(229)	(455)
	(1,301)	(963)	(871)	(1,421)	(1,638)	(1,509)	(1,590)	(1,535)	(1,469)	(1,474)	(1,472)
<b>C GROSS PROFIT</b>	701	291	(510)	1,016	1,337	848	738	1,239	1,285	808	842
<b>D Operating Expenses</b>											
1 Administrative and General Expenses	(522)	(443)	(524)	(739)	(875)	(775)	(824)	(814)	(836)	(733)	(782)
2 Selling and Marketing Expenses	(39)	-	(148)	(38)	-	-	(23)	-	-	-	-
	(561)	(443)	(473)	(778)	(875)	(775)	(847)	(814)	(836)	(733)	(782)
<b>E OPERATING PROFIT</b>	139	(152)	(982)	238	461	73	(109)	425	449	75	59
<b>F NON OPERATING INCOME OR (EXPENSE)</b>											
1 Related Party											
a. Dividend Income	-	-	-	-	-	-	-	-	-	-	55
b. Share of Profit or (Loss)	-	-	-	-	-	-	-	-	-	-	-
c. Return on Lending	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	55
2 Income or Expense from Financial Assets											
a. Dividend Income	46	-	41	-	-	-	-	-	-	-	-
b. Interest Income	65	49	(24)	68	83	(5)	280	(14)	(7)	(7)	44
c. Gain or (loss) on Disposal of Investments	-	-	-	-	-	-	-	-	-	-	-
d. Unrealized Gain or (Loss) on Investments	-	-	(51)	17	30	3	58	288	(281)	2	(102)
	111	49	(34)	86	114	(2)	337	274	(288)	(5)	(58)
3 Income or Expense from Non-Financial Assets											
a. Profit or (Loss) on Sale of Assets	-	-	(126)	(0)	20	(20)	58	(23)	(22)	(13)	(61)
b. Rental Income	95	42	25	14	4	23	(12)	26	24	15	47
c. Surplus or (Deficit) on Revaluation	-	-	40	(286)	60	75	(371)	(237)	232	(116)	10
d. Exchange Gain or (Loss)	-	-	5	-	-	-	-	-	-	-	(1)
e. Other Income or (Expense)	(23)	68	49	17	(14)	46	(67)	53	49	31	125
f. Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-
	72	110	(7)	(255)	70	123	(392)	(181)	283	(84)	120
<b>G PROFIT OR (LOSS) BEFORE INTEREST AND TAXES</b>	183	159	(41)	(170)	184	122	(55)	93	(5)	(89)	117
	322	7	(1,023)	68	645	194	(164)	518	445	(14)	177
<b>H TOTAL FINANCE COST</b>											
1 Finance Cost											
a. Markup on borrowings	(126)	(431)	(524)	(401)	(335)	(377)	(140)	(365)	(349)	(206)	(178)
b. Markup on Borrowings from Related Parties	-	-	-	-	-	-	-	-	-	-	-
c. Dividend on Preference Shares	-	-	-	-	-	-	-	-	-	-	-
	(126)	(431)	(524)	(401)	(335)	(377)	(140)	(365)	(349)	(206)	(178)
2 Other Charges	(139)	-	8	(35)	(30)	(33)	(12)	(32)	(31)	(18)	(43)
3 Capitalized Interest	-	-	-	-	-	-	-	-	-	-	-
	(265)	(431)	(517)	(436)	(365)	(410)	(152)	(398)	(380)	(225)	(221)
<b>I PROFIT OR (LOSS) BEFORE TAXATION</b>	57	(424)	(1,539)	(368)	280	(216)	(316)	120	65	(239)	(44)
J Taxation	101	(33)	307	(54)	(74)	(80)	(147)	(101)	(127)	(120)	(132)
<b>K NET INCOME OR (LOSS)</b>	157	(457)	(1,232)	(422)	206	(296)	(462)	19	(62)	(358)	(176)
<b>L OTHER COMPREHENSIVE INCOME</b>											
1 Items Potentially Re-classified to Profit & Loss	-	-	-	-	-	-	(15)	-	-	-	(23)
2 Items Not Potentially Re-classified to Profit & Loss	-	-	-	-	-	-	(57)	-	-	-	-
	-	-	-	-	-	-	(72)	-	-	-	(23)
<b>M TOTAL COMPREHENSIVE INCOME OR (LOSS)</b>	157	(457)	(1,232)	(422)	206	(296)	(534)	19	(62)	(358)	(199)
N Unappropriated Profit or (Loss) Brought Forward	6,115	-	935	-	-	5,180	-	-	-	6,115	-
<b>O Appropriations</b>											
1 Reserves	-	-	-	-	-	-	-	-	-	-	-
2 Dividends	-	-	-	-	-	-	-	-	-	-	-
a. Stock	-	-	-	-	-	-	-	-	-	-	-
b. Cash	-	-	-	-	-	-	-	-	-	-	(163)
	-	-	-	-	-	-	-	-	-	-	(163)
<b>P Unappropriated Profit or (Loss) Carried Forward</b>	6,272	(457)	(297)	(422)	206	4,884	(534)	19	(62)	5,757	(362)





The Pakistan Credit Rating Agency Limited

Pakistan Services Limited  
STATEMENT OF CASHFLOWS

PKR mln

**A CASH FLOWS FROM OPERATING ACTIVITIES**

	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
	Management	Management	Audited	Management	Audited	Audited	Audited	Audited	Audited	Audited	Audited
1 Profit Before Tax	57	(424)	(1,539)	(368)	280	(216)	(316)	120	65	(239)	(44)
2 Adjustments for:											
a. Depreciation and/or Amortization	262	256	221	301	301	222	261	220	208	207	192
b. Other Non-Cash Charges or Items	44	(94)	98	155	(50)	(6)	220	105	178	149	103
c. Recurring Non Core (Income) or Expense	-	-	(193)	225	(40)	(34)	11	(102)	(99)	(0)	(95)
d. Total Finance Cost	265	431	517	436	365	410	152	398	380	225	221
	572	593	644	1,117	576	593	644	621	667	581	421
<i>EBITDA</i>	628	169	(896)	749	856	377	328	741	732	342	377
3 Subtract:											
a. Taxes Paid	(43)	(11)	55	(68)	(55)	(70)	(189)	(101)	(109)	(146)	(120)
b. Others	(15)	(52)	1	(28)	(17)	(8)	(1)	(46)	(19)	(8)	(10)
<i>Free Cash Flows from Operations (FCFO)</i>	570	105	(840)	653	784	298	138	594	604	189	247
4 Related Parties - Income receipt or (expense paid)	-	-	41	(42)	0	-	(55)	-	-	-	-
5 Other Investments - Income receipt or (expense paid)	-	-	100	(100)	-	-	-	-	-	-	-
<i>Total Operating Cash Flows (TCF)</i>	570	105	(698)	511	785	298	83	594	604	189	247
6 Total Finance Cost Paid	(83)	(92)	(194)	(800)	(386)	(568)	(386)	(350)	(394)	(178)	(180)
<i>Net Cash from Operating Activities before Working Capital Changes (WCC)</i>	487	13	(893)	(289)	399	(270)	(303)	244	209	11	67
7 Changes in Working Capital											
a. (Increase) or Decrease in Total Current Assets	(231)	(44)	494	163	(216)	(140)	254	(132)	31	(271)	(398)
b. Increase or (Decrease) in Total Current Liabilities (Excl. Borrowings)	21	10	(318)	(34)	24	958	8	(21)	16	(1)	218
<i>Net Cash provided by Operating Activities</i>	(211)	(34)	175	129	(192)	818	262	(154)	47	(272)	(180)
	276	(20)	(717)	(160)	207	548	(41)	90	256	(261)	(113)

**B CASH FLOWS FROM INVESTING ACTIVITIES**

1 Capital Expenditure	(309)	(129)	269	(451)	(498)	(1,130)	(1,742)	583	(2,374)	(896)	1,674
2 Proceeds from sale of Fixed Assets	221	177	578	6	4	8	190	(100)	22	6	420
3 (Purchase) or Sale of Investments	60	17	986	25	(221)	292	1,132	(3,007)	1,966	(847)	(2,565)
4 Investment or Loan in Related Party	-	-	-	-	-	-	-	-	-	-	-
5 Others	28	-	(872)	515	412	(0)	(87)	132	(33)	19	66
<i>Net Cash (Used in) or Available From Investing Activities</i>	1	65	961	94	(303)	(831)	(507)	(2,392)	(418)	(1,717)	(405)

**C CASH FLOWS FROM FINANCING ACTIVITIES**

1 Proceeds from Issue of Ordinary Shares	-	-	-	-	-	-	-	-	-	-	-
2 Dividends Paid	-	-	-	-	-	-	(0)	-	0	(18)	(147)
3 Net Increase or (Decrease) in Short Term Borrowings	-	-	(1,522)	279	492	751	686	(223)	121	107	(72)
4 Net Increase or (Decrease) in Long Term Borrowings	(100)	29	(11)	(384)	(140)	(559)	(497)	2,927	(229)	1,091	796
5 Net Increase or (Decrease) in Preference Share Capital	-	-	-	-	-	-	-	-	-	-	-
6 Rentals Against Lease	(34)	(28)	86	(46)	(40)	-	-	-	-	-	-
7 Others	-	(150)	72	-	-	-	-	-	-	-	-
<i>Net Cash (Used in) or Available From Financing Activities</i>	(134)	(149)	(1,376)	(151)	312	192	188	2,704	(108)	1,180	578

**D NET INCREASE OR (DECREASE) IN CASH AND BANK BALANCES**

143	(105)	(1,132)	(217)	215	(91)	(360)	402	(270)	(798)	60
(1,468)	(1,363)	(231)	(14)	(229)	(138)	223	(180)	90	888	828
(1,325)	(1,468)	(1,363)	(231)	(14)	(229)	(138)	223	(180)	90	888

**E OPENING BALANCE OF CASH AND BANK BALANCES**

**F CLOSING BALANCE OF CASH AND BANK BALANCES**





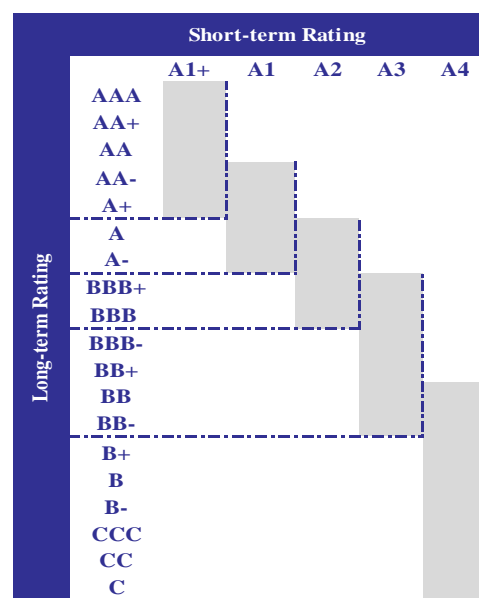
		Dec-20	Jun-20	Jun-19	Jun-18
		6M	12M	12M	12M
		Management	Audited	Audited	Audited
<b>CORPORATE RATING:</b>		<b>A</b>	<b>A</b>	<b>A</b>	<b>A+</b>
<b>Equivalent Corporate Score</b>		<b>5.53</b>	<b>5.57</b>	<b>5.66</b>	<b>6.08</b>
<b>15%</b>	<b>15%</b>	<b>A OWNERSHIP</b>			
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AA</b>	<b>AA</b>
		<b>9.00</b>	<b>9.00</b>	<b>7.63</b>	<b>7.63</b>
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AA+</b>	<b>AA+</b>
		<b>9.0</b>	<b>9.0</b>	<b>8.0</b>	<b>8.0</b>
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AA-</b>	<b>AA-</b>
		<b>9.0</b>	<b>9.0</b>	<b>7.0</b>	<b>7.0</b>
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AA+</b>	<b>AA+</b>
		<b>9.0</b>	<b>9.0</b>	<b>8.0</b>	<b>8.0</b>
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AA</b>	<b>AA</b>
		<b>9.0</b>	<b>9.0</b>	<b>7.5</b>	<b>7.5</b>
<b>15%</b>	<b>15%</b>	<b>B GOVERNANCE</b>			
<b>4%</b>	<b>25%</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>
		<b>8.05</b>	<b>8.05</b>	<b>8.03</b>	<b>8.03</b>
<b>4%</b>	<b>25%</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>
		<b>8.4</b>	<b>8.4</b>	<b>8.3</b>	<b>8.3</b>
<b>4%</b>	<b>25%</b>	<b>AA</b>	<b>AA</b>	<b>AA</b>	<b>AA</b>
		<b>7.8</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>
<b>4%</b>	<b>25%</b>	<b>AA</b>	<b>AA</b>	<b>AA</b>	<b>AA</b>
		<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>
<b>4%</b>	<b>25%</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>
		<b>8.4</b>	<b>8.4</b>	<b>8.4</b>	<b>8.4</b>
<b>15%</b>	<b>15%</b>	<b>C MANAGEMENT</b>			
<b>4%</b>	<b>25%</b>	<b>AA</b>	<b>AA</b>	<b>AA+</b>	<b>AA+</b>
		<b>7.50</b>	<b>7.50</b>	<b>8.25</b>	<b>8.25</b>
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AAA</b>	<b>AAA</b>
		<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>
<b>4%</b>	<b>25%</b>	<b>AAA</b>	<b>AAA</b>	<b>AA+</b>	<b>AA+</b>
		<b>9.0</b>	<b>9.0</b>	<b>8.0</b>	<b>8.0</b>
<b>4%</b>	<b>25%</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>
		<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>
<b>4%</b>	<b>25%</b>	<b>BBB+</b>	<b>BBB+</b>	<b>AA+</b>	<b>AA+</b>
		<b>4.0</b>	<b>4.0</b>	<b>8.0</b>	<b>8.0</b>
<b>25%</b>	<b>25%</b>	<b>D BUSINESS RISK</b>			
<b>5%</b>	<b>20%</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>
		<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>
<b>5%</b>	<b>20%</b>	<b>BB</b>	<b>BB</b>	<b>BB</b>	<b>BB</b>
		<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>5%</b>	<b>20%</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>
		<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>
<b>5%</b>	<b>20%</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>
		<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
<b>5%</b>	<b>20%</b>	<b>BBB</b>	<b>BBB</b>	<b>BBB</b>	<b>BBB</b>
		<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>5%</b>	<b>20%</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>	<b>BBB+</b>
		<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
<b>30%</b>	<b>30%</b>	<b>E FINANCIAL RISK</b>			
<b>15%</b>	<b>50%</b>	<b>BB+</b>	<b>BB+</b>	<b>BBB-</b>	<b>BBB+</b>
		<b>2.58</b>	<b>2.71</b>	<b>3.33</b>	<b>4.71</b>
<b>12%</b>	<b>40%</b>	<b>BBB</b>	<b>BBB+</b>	<b>BBB+</b>	<b>A-</b>
		<b>3.6</b>	<b>4.4</b>	<b>4.1</b>	<b>5.5</b>
<b>3%</b>	<b>10%</b>	<b>B-</b>	<b>&lt;= CCC</b>	<b>B-</b>	<b>BB+</b>
		<b>0.8</b>	<b>-</b>	<b>1.0</b>	<b>2.8</b>
<b>3%</b>	<b>10%</b>	<b>BBB+</b>	<b>A-</b>	<b>AA+</b>	<b>AA+</b>
		<b>4.6</b>	<b>5.0</b>	<b>8.9</b>	<b>8.6</b>

**Credit Rating**

Credit rating reflects forward-looking opinion on credit worthiness of underlying debt 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+	<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	
AA-	
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	
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>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	
B-	
CCC	<b>Very high credit risk.</b> 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 surveill 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 on debt instrument is carried out on an ongoing basis till the maturity of the instrument or cessation of contract. 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.

**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.
- (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)

### **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



## Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets
Unlisted, Secured, Privately Placed Sukuk	PKR 7,000mln	6 Years from the date of issue with a 1.5 year grace period	First Pari Passu Hypothecation charge over present and future moveable assets and First Pari Passu Equitable Mortgage on present and future immovable assets of PC Lahore with 25% margin.	PKR 18,660mln	Fixed and Current Assets	Pak Brunei Investment Company Limited	PKR 16,704mln

<b>Name of Issuer</b>	<b>Pakistan Services Limited</b>
<b>Issue Date</b>	Sep 30, 2019
<b>Maturity</b>	Sep 30, 2023
<b>Call Option</b>	Early redemption can be made after three years from the date of disbursement of 1st tranche with thirty (30) days notice. Early redemption will only be allowed on a principal installment date and in integral multiples of PKR 50mln. a pre-payment fee at 0.10% will be charged on the pre-paid amount.

### Pakistan Services Limited | Sukuk | Mar-18

Due Date Principal	Opening Principal	Principal Repayment	Due Date Markup/ Profit	Markup/Profit Rate		Markup/Profit Payment	Deferred Rental Payments	Installment Payable	Principal Outstanding
				Base (6M KIBOR)	Spread (1%)				
PKR in mln									
14-Sep-18	7,000,000,000	-		8.33%		136,276,890	-	136,276,890	7,000,000,000
14-Mar-19	7,000,000,000	-		8.33%		239,871,808	-	239,871,808	7,000,000,000
14-Sep-19	7,000,000,000	-		8.33%		352,876,712	-	352,876,712	7,000,000,000
14-Mar-20	7,000,000,000	388,889,000		8.33%		349,041,096	-	737,930,096	6,611,111,000
14-Sep-20	6,611,111,000	51,313,696		8.33%		-	-	51,313,696	6,559,797,304
14-Mar-21	6,559,797,304					-	-	-	6,559,797,304
30-Sep-21	6,559,797,304	<b>Deferment</b>		8.33%		165,342,836	107,933,512	273,276,348	6,559,797,304
31-Dec-21	6,559,797,304			8.33%		165,342,836	107,933,512	273,276,348	6,559,797,304
31-Mar-22	6,559,797,304			8.33%		161,748,427	107,933,512	269,681,939	6,559,797,304
30-Jun-22	6,559,797,304			8.33%		163,545,631	107,933,512	271,479,143	6,559,797,304
30-Sep-22	6,559,797,304		327,989,865		8.33%		165,342,836	107,933,512	601,266,213
31-Dec-22	6,231,807,439	327,989,865		8.33%		157,057,694	107,933,512	592,981,071	5,903,817,574
31-Mar-23	5,903,817,574	327,989,865		8.33%		145,573,584	107,933,512	581,496,961	5,575,827,709
30-Jun-23	5,575,827,709	327,989,865		8.33%		139,013,787	107,933,512	574,937,164	5,247,837,844
30-Sep-23	5,247,837,844	327,989,865		8.33%		132,274,269	-	460,264,134	4,919,847,979
31-Dec-23	4,919,847,979	327,989,865		8.33%		124,007,127	-	451,996,992	4,591,858,114
31-Mar-24	4,591,858,114	327,989,865		8.33%		114,481,942	-	442,471,807	4,263,868,249
30-Jun-24	4,263,868,249	327,989,865		8.33%		106,304,660	-	434,294,525	3,935,878,384
30-Sep-24	3,935,878,384	327,989,865		8.33%		99,205,702	-	427,195,567	3,607,888,519
31-Dec-24	3,607,888,519	327,989,865		8.33%		90,938,560	-	418,928,425	3,279,898,654
31-Mar-25	3,279,898,654	327,989,865		8.33%		80,874,213	-	408,864,078	2,951,908,789
30-Jun-25	2,951,908,789	327,989,865		8.33%		73,595,534	-	401,585,399	2,623,918,924
30-Sep-25	2,623,918,924	327,989,865		8.33%		66,137,134	-	394,126,999	2,295,929,059
31-Dec-25	2,295,929,059	327,989,865		8.33%		57,869,993	-	385,859,858	1,967,939,194
31-Mar-26	1,967,939,194	327,989,865		8.33%		48,524,528	-	376,514,393	1,639,949,329
30-Jun-26	1,639,949,329	327,989,865		8.33%		40,886,408	-	368,876,273	1,311,959,464
30-Sep-26	1,311,959,464	327,989,866		8.33%		33,068,567	-	361,058,433	983,969,598
31-Dec-26	983,969,598	327,989,866		8.33%		24,801,425	-	352,791,291	655,979,732
31-Mar-27	655,979,732	327,989,866		8.33%		16,174,843	-	344,164,709	327,989,866
30-Jun-27	327,989,866	327,989,866		8.33%		8,177,282	-	336,167,148	-

\* KIBOR rates are as on 28th Feb 2021 (date of last repayment of markup), and assumed to be constant.