The Pakistan Credit Rating Agency Limited

Rating Report

Al-Abbas Sugar Mills Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
09-Apr-2024	A+	A1	Stable	Maintain	-
10-Apr-2023	A+	A1	Stable	Maintain	-
11-Apr-2022	A+	A1	Stable	Maintain	-
12-Apr-2021	A+	A1	Stable	Maintain	-
21-Apr-2020	A+	A1	Stable	Maintain	-
28-Oct-2019	A+	A1	Stable	Maintain	-
08-May-2019	A+	A1	Stable	Upgrade	-
06-Nov-2018	A	A1	Positive	Maintain	-
09-May-2018	A	A1	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The Pakistani sugar sector, recognized as the second most substantial agro-based industry within the nation, encompasses 91 mills with a collective processing capacity of roughly 80–90 million metric tons. The season ended with a sugar output of ~6.6 million tons, a ~16% decrease from the previous year's ~7.9 million tons due to severe floods that damaged the crop and shortened the harvesting period. Despite the lower crop, the country had sufficient sugar stocks to meet the annual demand, owing to the large carryover from the previous year. Anticipated water scarcity is projected to precipitate a significant ~13.7% contraction in the forthcoming sugarcane supply for MY24, ascribed to a decrement in cultivated area and yield.
The ratings reflect Al-Abbas Sugar Mills Ltd. ('Al-Abbas' or 'the Company') diversified revenue stream emanating from sugar, ethanol, and storage facilities. Storage tank terminals provide an additional cushion to cashflows. This provides a competitive advantage to the Company mitigating volatility and industry-specific risks. Moreover, strong governance framework bodes well for the Company. The company experienced a ~40% surge in revenue to PKR ~14.5bln in MY23 (MY22: PKR 10.3bln), which stood with industry's upward trend with an average recovery rate of ~10.52%. Rising cane cost have resulted in increasing sugar prices in the domestic market during MY23. As a result, the Company attained substantial profits from the sugar segment. Likewise, the Company also gained from the escalating ethanol prices, globally. Al-Abbas Sugar's revenue streams are propelled by sugar sales(~28%) and ethanol exports (~78%). The firm's gross profit is recorded at PKR ~4.9bln (MY22: PKR 2.3bln). Resultantly gross margin stood highest at ~34% as compared with industry peers. Despite the escalation in finance costs associated with KIBOR, the net income ascended to PKR ~3.6bln (MY22: PKR 1.9bln), reflecting a strong net margin of ~25.3% (MY22: ~18.5%). Amidst the economic tribulations and volatility of the sugar market in Pakistan, the company's export paradigm remains resilient. The Company's has shown improved working capital management, posted strong coverages and modestly leveraged capital structure which overall hovers strong financial risk profile. The leverage ratio of the company stood at ~28.5% in MY23, with short-term borrowings constituting 99% of the total debt. The profitability of Al-Abbas has been buoyed by elevated sugar and ethanol prices, ensuring the sustenance of strong and stable margins amidst market oscillations.

The ratings are dependent on the Company's ability to sustain margins with healthy coverages while maintaining necessary cushion and discipline in working capital management. Significant deterioration of relationship among shareholders leading to adverse impact on the Company's profile and/or excessive borrowings deteriorating the coverages will impact the ratings.

Disclosure

Name of Rated Entity	Al-Abbas Sugar Mills 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 | Sugar(Aug-23)
Rating Analysts	Hina Harram | hina.harram@pacra.com | +92-42-35869504

Profile

Legal Structure Al-Abbas Sugar Mills Limited (‘Al-Abbas Sugar’ or ‘the Company’) is a public listed company, incorporated in May 1991.

Background The Company's started with manufacturing and sale of white refined sugar as commercial operations commenced in Dec-93. Subsequently, the Company setup two distillery plants in 2000 (Unit I) and 2004 (Unit II). The Company also built storage terminals later on.

Operations The Company's head office is located in Karachi, with the sugar mill and distilleries located in Mirwah Gorchani, Mirpurkhas. Mill's rated crushing capacity stands at 8,500 TCD and the distilleries have a combined capacity to produce 170,000 liters of Ethanol per day (Unit I: 85,000 Liters; Unit II: 85,000 Liters). The Company witnessed a decline in production of 42,175 MT during MY23 (MY22: 53,945 MT). The decrease represents reduced sugarcane availability and hence, decreased crushing and production. A stable recovery rate of ~10.6% (MY22: ~10.9%) was achieved. Ethanol production was 45,250MT during MY23 (MY22: 38,549 MT). The Company also operates 12 tanks, having a combined storage capacity of 22,850 MT per month to store ethanol and petroleum products.

Ownership

Ownership Structure Haji Ghani family and associates own majority shareholding (~33%) in the Company, followed by Jahangir Siddiqui (JS) Group (~29%). ~10% of the Company’s shares float freely in the market.

Stability The two major shareholders of the Company are involved in a long standing dispute since 2013. Legal proceedings in this regard are being carried out in Sindh High Court and outcome is pending. However, the management believes that the case will be decided in the favor of the Company

Business Acumen The sponsors (Haji Ghani Group) have strong business track record. Mr. Haji Abdul Ghani holds experience of chairing the Boards of various brokerage firms and has served as the Vice Chairman of Pakistan Stock Exchange. Haji Ghani Group was previously involved in the cement sector.

Financial Strength The Company is the flagship entity of Haji Ghani Group and has maintained stable profits over the years supported by a sufficient equity base of PKR 6.9bln as at Sep-23.

Governance

Board Structure The BoD comprises nine Directors with one Executive Director and three Non-Executive Directors, including three Independent Directors and two Female Directors. The BoD is chaired by a Non-Executive Director, and is dominated by Haji Ghani Family with five Nominee Directors.

Members’ Profile The BoD members have strong profiles and specialize in financial services, in addition to sugar and ethanol. Mr. Zakaria Usman is the current Chairman of the BoD.

Board Effectiveness The BoD is assisted by three committees, namely, Audit Committee, HR & Remuneration Committee and Risk Management Committee. Mr. Haroon Askari (Independent Director) chairs the Audit and HR & Remuneration Committees; whereas, Mr. Salman Hussain Chawala (Independent Director) chairs the Risk Management Committee.

Financial Transparency BDO Ebrahim & Co. Chartered Accountants as Company's external auditors. The firm is classified in category ‘A’ of SBP and have a satisfactory QCR rating. They have expressed an unqualified opinion on the financial statements for the year ending in Sep-23.

Management

Organizational Structure Al-Abbas Sugar has a well defined organizational structure, whereby department heads have direct reporting lines to the CEO. The five departments comprise: Finance, Administration / Human resource, Procurement / Purchase, Audit, and Plant Operations.

Management Team Mr. Asim Ghani is the CEO since Dec-17. Mr. Ghani previously overlooked the operational aspects of Al-Abbas as an Executive Director and has been associated with Company for 22 years. Mr. Samir Hajani, Chief Financial Officer, has been associated with the Company for the past 10 years.

Effectiveness The long association of the Company’s senior management ensures consistency in overall policies and strengthens the management structure.

MIS The Company has deployed Oracle R-12 as its ERP system, enabling it to generate various reports for effective management and decision making.

Control Environment The internal audit department ensures compliance and efficiency by conducting quarterly evaluations with reporting to the Audit Committee.

Business Risk

Industry Dynamics The Pakistani sugar sector, recognized as the second most substantial agro-based industry within the nation, encompasses 91 mills with a collective processing capacity of roughly 80–90 million metric tons. The season ended with a sugar output of ~6.6 million tons, a ~16% decrease from the previous year’s ~7.9 million tons due to severe floods that damaged the crop and shortened the harvesting period. Despite the lower crop, the country had sufficient sugar stocks to meet the annual demand, owing to the large carryover from the previous year. Anticipated water scarcity is projected to precipitate a significant ~13.7% contraction in the forthcoming sugarcane supply for MY24, ascribed to a decrement in cultivated area and yield

Relative Position Owing to numerous industry players, companies relatively have low market share. Al-Abbas Sugar contributes ~ 0.7% to the total sugar production and~ 6% to the total ethanol production of Pakistan

Revenues The Company generates revenue by manufacturing and selling sugar (~28%) and ethanol (~72%). The Company's topline posted growth of ~40% and reported at ~PKR 14bln during MY23 (MY22: ~PKR 10.3bln). Mainly due to increase price of sugar compared to the last year. During MY23, the Company’s total revenue increased to PKR 14.5bln (MY22: PKR 10.3bln) indicating an increase in price of sugar and ethanol. Going forward, revenues are expected to remain high. During 3MMY24, topline grew by ~137% to ~PKR 5.8bln from 2.4bln in 3MMY23, due to the price increase of sugar. Going forward, the export of sugar is anticipated to improve the Company’s financial performance.

Margins The Company’s gross margins improved to ~34% (MY22: ~23%) as high sugarcane support price (MY23: ~PKR 302, MY22: ~PKR 225) were passed on to the consumers reflecting the increased price of sugar. Similarly, on the operational level margin improved to ~30.2% (MY22: ~19%). The Company produced a net profit of ~PKR 3.6bln during MY23 (MY22: ~PKR 1.9bln) despite the increase in the finance cost (MY23: ~PKR 364mln, MY22: ~PKR 158mln) due to a hike in the interest rates. Subsequently, the net profit margin improved and stood at ~25.3% during MY23 compared to ~18.5% in the preceding year. In 3MMY24 gross margin increased and stood at ~32.2%. Similarly operating margin increased to ~24.6%. Net Margins stood at ~19% from ~18% due to trickle down effect. Going forward, due to inflationary trend margins are expected to remain stable, if not falling.

Sustainability Going forward, the Company performance will largely depend on the sugar division, and its industry dynamics. Meanwhile, the Company is expected to continue it’s stable performance in ethanol division.

Financial Risk

Working Capital Inventory days improved and stood at 87 days (MY22: 96 days) Due to less procurement of sugarcane. Receivable days remains stable at 9 days (MY22: 8 days). The payable days stood at 26 days (MY22: 35 days) as Company cleared the payments in a weeks’ time. Therefore, net working capital days elongated and stood at 70 days in MY23 (MY22: 69 days). The Company’s short-term trade leverage and short-term total leverage stood at ~35.5% and ~51.4%, respectively (MY22: ~25.6% and ~40.2%) indicating adequate room to borrow against trade assets. During 3MMY24 Inventory days stood at 68 days. Receivable days stood at 6 days as sugar was sold on cash basis mostly. Due to timely payments made to the sugar cane suppliers, payable days remain low (3MMY24: 16 days)

Coverages The Company’s interest coverage ratio remains stable in MY23 and stood at 11.4x on the back of relatively higher free cash flows (MY23: ~PKR 4,147mln, MY22: ~PKR 1,866mln) with considerable increase in finance costs (MY23: ~PKR 364mln, MY22: ~PKR 158mln). Similarly, the Company’s debt coverage ratio improved to 11.7x (MY22: 10.1x) and debt payback period stood at (MY23: Nil, MY22: 0.0). In 3MMY24 interest coverage ratio increased to 10.7x on the back of free cash flows (3MMY24: PKR 1,315mln). Finance cost rose significantly PKR 122mln. Core and Total operating coverage ratios inclined to 10.6x.

Capitalization The Company has a low leveraged capital structure with leveraging ratio at ~28.5% as at MY23 (MY22: ~39%). The Company’s capital structure is represented majorly by short-term borrowing to support working capital requirements. The total debt of the Company stood at ~PKR 2.7bln as of MY23 (MY22: ~PKR 2.9bln) with an equity base of ~PKR 6.9bln as of MY23. In 3MMY24 the total debt stood at ~PKR 2.6bln. The equity base stood ~PKR 8bln resulted in the leverage ratio of ~57%.

The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

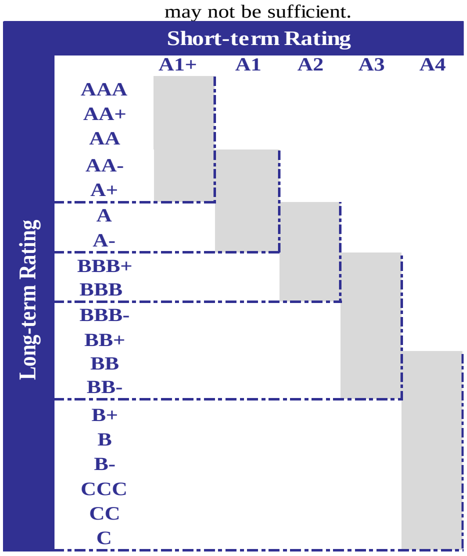
Al-Abbas Sugar Mills Limited	Dec-23	Sep-23	Sep-22	Sep-21
Sugar	3M	12M	12M	12M
A BALANCE SHEET				
1 Non-Current Assets	1,442	1,466	1,491	1,527
2 Investments	2,294	2,769	1,788	1,255
3 Related Party Exposure	-	-	-	3
4 Current Assets	9,653	8,211	6,092	4,404
a Inventories	*4,913*	*3,839*	*3,103*	*2,325*
b Trade Receivables	*504*	*253*	*457*	*12*
5 Total Assets	13,389	12,446	9,371	7,189
6 Current Liabilities	2,516	2,632	1,761	1,594
a Trade Payables	*955*	*1,090*	*1,011*	*976*
7 Borrowings	2,654	2,763	2,984	2,204
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	123	127	20	20
10 Net Assets	8,096	6,923	4,606	3,371
11 Shareholders' Equity	8,096	6,923	4,606	3,371
B INCOME STATEMENT				
1 Sales	5,865	14,569	10,362	7,378
a Cost of Good Sold	*(3,979)*	*(9,594)*	*(8,023)*	*(6,196)*
2 Gross Profit	1,886	4,975	2,339	1,182
a Operating Expenses	(445)	(571)	(378)	(267)
3 Operating Profit	1,440	4,404	1,961	915
a Non Operating Income or (Expense)	*52*	*(21)*	*259*	*4*
4 Profit or (Loss) before Interest and Tax	1,493	4,382	2,220	919
a Total Finance Cost	*(127)*	*(378)*	*(169)*	*(85)*
b Taxation	*(245)*	*(320)*	*(137)*	*(83)*
6 Net Income Or (Loss)	1,120	3,685	1,914	752
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	*1,315*	*4,147*	*1,866*	*859*
b Net Cash from Operating Activities before Working Capital Changes	*1,403*	*3,985*	*1,783*	*851*
c Changes in Working Capital	*(1,790)*	*(1,311)*	*(1,407)*	*(2,208)*
1 Net Cash provided by Operating Activities	(387)	2,674	376	(1,358)
2 Net Cash (Used in) or Available From Investing Activities	527	(1,061)	(566)	721
3 Net Cash (Used in) or Available From Financing Activities	(112)	(1,609)	193	162
4 Net Cash generated or (Used) during the period	27	4	3	(475)
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	61.0%	40.6%	40.4%	-9.5%
b Gross Profit Margin	32.2%	34.1%	22.6%	16.0%
c Net Profit Margin	19.1%	25.3%	18.5%	10.2%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	-8.1%	19.5%	4.4%	-18.3%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shai*	59.7%	63.9%	48.0%	22.2%
2 Working Capital Management				
a Gross Working Capital (Average Days)	74	96	104	91
b Net Working Capital (Average Days)	58	70	69	42
c Current Ratio (Current Assets / Current Liabilities)	3.8	3.1	3.5	2.8
3 Coverages				
a EBITDA / Finance Cost	12.0	12.5	13.4	12.6
b FCFO / Finance Cost+CMLTB+Excess STB	10.6	11.2	9.8	5.5
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.0	0.0	0.0	0.1
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	24.7%	28.5%	39.3%	39.5%
b Interest or Markup Payable (Days)	92.6	49.6	55.0	43.9
c Entity Average Borrowing Rate	17.4%	12.6%	5.4%	3.5%

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.

Long-term Rating	
Scale	**Definition**
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ **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.
A+ **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.
BBB+ **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.
BB+ **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.
B+ **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.
CCC **CC** **C**	**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.
D	Obligations are currently in default.

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

Note. This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Companies Rating

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations,2016)

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