The Pakistan Credit Rating Agency Limited

Rating Report

Jauharabad Sugar Mills Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
29-Jan-2021	BBB+	A2	Stable	Upgrade	-
07-Apr-2020	BBB	A2	Positive	Maintain	-
17-Oct-2019	BBB	A2	Stable	Maintain	-
30-Apr-2019	BBB	A2	Stable	Maintain	-
28-Dec-2018	BBB	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan’s sugar industry is the 2nd largest agro based industry, comprising 90 mills with annual crushing capacity estimated around 65 – 70mln MT. In previous years, the industry was under pressure owing to over supply combined with challenges in the support price mechanism. Additionally, a slowdown in international sugar prices made exports viable only through subsidy support. During MY20, the overall sugar production fell by 6%, YoY, to 4.9 mln MT on the back of lower crop availability. Surge in local sugar prices was witnessed due to low inventory levels. Moreover, in FY20's budget, sales tax levied on sugar was increased to 17% (previously 8%,) charged on the price of PKR 60/KG, contributed to higher prices. In the current crushing season, the Government increased the support price of sugarcane to PKR 200 per maund (previously, it was increased to PKR 190 from PKR 180 per maund). Actual realized sugarcane price at mill gate were even higher. Lately, the Government has decided to import 0.3mln MT of sugar. Out of this, 0.15mln MT has already been imported, till Oct-20, to meet the local demand and curb the hike in local sugar prices. However, local sugar prices are expected remain high. Despite increase in costs, higher local sugar prices are expected to improve miller's profitability.

The ratings reflect an improving business profile of Jauharabad Sugar Mills Limited in line with the current dynamics of sugar industry. Relatively lower sugarcane availability in MY20 and higher procurement cost has resulted in rising sugar prices in local market leading to improved revenues. The Company has displayed improvement in margins on the back of relatively low conversion costs. Over the years, the sponsors business acumen and support (in the form of loan) have remained beneficial for the Company. The management's consistent attention to improve efficiencies through BMR. The financial profile of Jauharabad Sugar remains adequate, characterized by improved working capital management, adequate coverages and modestly leveraged capital structure.

The ratings are dependent upon the management’s ability to sustain business margins, while improving the financial risk profile. Any significant deterioration in the Company’s margins and/or coverages would have a negative impact.

Disclosure	
Name of Rated Entity	Jauharabad Sugar Mills Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Corporate Ratings(Jun-20),Methodology | Correlation Between Long-Term And Short-Term Rating Scale(Jun-20),Criteria | Rating Modifier(Jun-20)
Related Research	Sector Study | Sugar(Dec-20)
Rating Analysts	Faiqa Qamar | faiqa.qamar@pacra.com | +92-42-35869504

Profile

Legal Structure Jauharabad Sugar Mills Limited ('Jauharabad Sugar' or 'the Company') was incorporated as a public limited company and is listed on the Pakistan Stock Exchange since 1973.

Background The Company was initially established on build, operate and transfer (BOT) contract by Pakistan Industrial Development Corporation (PIDC) in collaboration with Thal Development Authority (TDA). In 1955, Saigol Group acquired the contract and named the Company Kohinoor Sugar Mills Limited. In Oct 2013, Cane Processing (Pvt.) Limited (CPL) acquired major stake (64%) of Kohinoor Sugar Mills and changed its name to Jauharabad Sugar Mills Limited.

Operations Jauharabad Sugar has two sugarcane crushing units, named Line-I and Line-II. Line-I can crush 5,500 MT of sugarcane per day, however, it's currently not operational. While, Line-II can crush 7,000 MT of sugarcane per day. The Company manufactured 41,150 MT (MY19: 44,776 MT) of sugar at an average recovery rate of 9.67% (MY19: 10.4%), with the capacity utilization of 76% (MY19: 71%) during MY20. The Company's mill is located in Jauhrabad, district Khushab, while the registered office is in Lahore.

Ownership

Ownership Structure Jauharabad Sugar is majorly owned by a Holding Company - Cane Processing (Pvt.) Limited (64%) - and individual's of Latif family (10%). NIT and ICP hold 3% shares. The Company has a free float of ~ 23%. The Holding Company is primarily owned by Mrs. Ghazala Amjad (99%).

Stability The presence of a Holding Company bodes well for stability of ownership. Meanwhile, transferring entire family stake to Holding Company would further strengthen the structure.

Business Acumen The sponsoring family has interests in other ventures and enjoys strong business acumen. Apart from owning two LPG businesses, named Synergy and Awami, the sponsors have acquired Pasrur Sugar Mills Limited, having an operational capacity of 3,500 TCD (installed capacity 8,000 TCD) recently.

Financial Strength Jauharabad Sugar is primarily owned by Cane Processing (Pvt.) Limited. As at Sep'20, Cane Processing's total assets stood at PKR 642mln, which are entirely financed by equity.

Governance

Board Structure Jauharabad Sugar's Board comprises one Executive Director, three Independent Directors and three Non-executive Directors nominated by Cane Processing (Pvt.) Limited. Board's chairman is a Non-executive Director. The Company's Board structure draws strength from its size and independent oversight.

Members' Profile All BoD members have relevant expertise. The Board's Chairman, Mr. Muhammad Aamir Beg, is associated with the Company from 5 years, having over all experience of 5 decades. Mr. Farhan Ilyas, an Independent Director, is the Chairman of Audit Committee and has work experience of above 3 decades. During MY20, Mr. Amjad Javed, Executive Director, resigned, while, Ms. Ayesha Rasheed, an Independent Director, was inducted to fill the vacancy. Later, Ms Ayesha resigned and was replaced by Ms. Nazia Waheed. During Jan-21, Mr. Amjad Bashir, a Non-Executive Director, resigned and was replaced by Mr. Kamran Zahoor.

Board Effectiveness Jauharabad Sugar Mills Board met four times during MY20, with majority attendance to discuss pertinent matters and maintains well documented minutes. The Board has two sub-committees: Audit Committee and Human Resource & Remuneration Committee. The Audit Committee met four times, while HR and Remuneration Committee met once during MY20.

Financial Transparency The Company's external auditors, UHY Hassan Naeem & Company, Chartered Accountants, have expressed an unqualified opinion on the financial report of MY20. The firm has been QCR rated by ICAP and is in Category 'B' of SBP panel.

Management

Organizational Structure Jauharabad Sugar operates through eight divisions: Mill, Operations, Power, Cane, Marketing, Human Resource, Internal Audit and Finance. All functional heads report to the Chief Operating Officer (COO), who reports to the Company's CEO. However, Head of Internal Audit and Human Resource department report administratively to the CEO and functionally to the Board's Audit and Human Resource & Remuneration Committees, respectively.

Management Team The Company's management comprise veteran professionals. Mr. Jamal Ahmad, the CEO, has an overall work experience of above 40 years and is associated with the Company for 4 years. Mr. Ahsan Latif, the COO, has an overall work experience of 22 years and is associated with the Company since October 2013.

Effectiveness The Company's management ensures effectiveness through a Management Committee. This committee comprises heads of all divisions. A co-ordination meeting is held on daily basis to review the progress of every department. Minutes of these meetings are documented and circulated for follow ups.

MIS The Company initially used COSMOSOFT system to control cane procurement. Now, an ERP system is in place at the Company, which is updated on real time basis. It generates 15 reports to assist the top management in monitoring and evaluating the performance of different departments.

Control Environment To ensure operational efficiency, the Company has setup an Internal Audit Function and it is co-sourced internal audit to KPMG. They provide support, guidance and monitoring of the internally placed SOPs. KPMG conduct Gap Analysis for evaluating the already placed policies and procedures.

Business Risk

Industry Dynamics Pakistan's sugar industry is the 2nd largest agro based industry, comprising 90 mills with annual crushing capacity estimated around 65 – 70mln MT. In previous years, the industry was under pressure owing to over supply combined with challenges in the support price mechanism. Additionally, a slowdown in international sugar prices made exports viable only through subsidy support. During MY20, the overall sugar production fell by 6%, YoY, to 4.9 mln MT on the back of lower crop availability. Surge in local sugar prices was witnessed due to low inventory levels. Moreover, in FY20's budget, sales tax levied on sugar was increased to 17% (previously 8%,) charged on the price of PKR 60/KG, contributed to higher prices. In the current crushing season, the Government increased the support price of sugarcane to PKR 200 per maund (previously, it was increased to PKR 190 from PKR 180 per maund). Actual realized sugarcane price at mill gate were even higher. Lately, the Government has decided to import 0.3mln MT of sugar. Out of this, 0.15mln MT has already been imported, till Oct-20, to meet the local demand and curb the hike in sugar prices. However, local sugar prices are expected remain high. Despite increase in costs, higher local prices are expected to improve miller's profitability.

Relative Position The Company contributed approximately 0.8% to the total sugar production in Pakistan and can be categorized as a relatively small player.

Revenues Jauharabad Sugar generates revenue by selling refined sugar in the local market, molasses and bagasse. During MY20, the Company's revenue posted an increase of 2% (MY20: PKR 3,503mln, MY19: PKR 3,441mln). The rise was attributable to increase in average selling price, despite lower volumes (MY20: 44,593MT, MY19: 53,722MT).

Margins During MY20, the Company's gross margins posted a dip to 17% (MY19: 19%), on the back of rise in sugarcane prices, along with lower recovery rate. Better capacity utilization (MY20: 76%, MY19: 71%) and lower selling and admin expenses (MY20: PKR 171mln, MY19: PKR 186mln) led to higher net income (MY20: PKR 213mln, MY19: PKR 183mln). The Company's net margin also improved to 6% during MY20 (MY19: 5%).

Sustainability Going forward, the Company is planning to install a distillery. Initial feasibility has been carried out in this regard. The Company has also installed 15MW biomass co-generation power plant, with an exportable capacity of 10MW to FESCO, expected to be commercially operational by 2021.

Financial Risk

Working Capital By selling previous inventory, the Company improved the inventory held days (MY20: 30days, MY19: 61days). Receivable days improved further due to swift debt recovering policies (MY20: 14days, MY19: 32days). Due to timely payments made to the sugar cane suppliers, payable days remain low (MY20: 7days, MY19: 6days). This led to significantly improved net working capital cycle (MY20: 38days, MY19: 86days). As a result of selling off inventory, short tern total leverage increased to 34% during MY20 (MY19: 10%).

Coverages Jauharabad Sugar's interest cover (MY20: 2.3x, MY19: 2.8x) is a function of decreased free cash flows, and a 12% rise in finance cost (MY20: PKR 231mln, MY19: PKR 206mln). This also led to a dip in core coverage ratio (MY20: 1.7x, MY19: 1.8x).

Capitalization During MY20, the Company improved its leverage ratio (MY20: 22%, MY19: 35%) owing to reduced short term debt (MY20: PKR 198mln, MY19: PKR 409mln). Total debt stood at PKR 420mln in MY20 (MY19: PKR 637mln). Around 17% of the debt comprises short term borrowings obtained to finance working capital requirement (MY19: 33%). Long-term loan was obtained to set-up the biomass power plant.

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Financial Summary
PKR mln

Jauharabad Sugar Mills Limited	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18
Sugar	12M	9M	6M	3M	12M	9M	6M	3M	12M
A BALANCE SHEET									
1 Non-Current Assets	5,128	3,373	3,392	3,282	3,276	3,265	3,266	3,236	3,241
2 Investments	17	17	17	-	-	-	-	-	-
3 Related Party Exposure	-	-	-	-	-	-	-	-	-
4 Current Assets	731	2,927	3,246	1,475	1,085	2,463	3,236	1,423	1,449
a Inventories	*194*	*2,473*	*2,526*	*864*	*390*	*1,833*	*2,832*	*1,036*	*753*
b Trade Receivables	*1*	*1*	*27*	*12*	*270*	*9*	*36*	*38*	*327*
5 Total Assets	5,876	6,317	6,655	4,758	4,361	5,729	6,501	4,659	4,689
6 Current Liabilities	294	299	382	529	563	397	313	805	261
a Trade Payables	*84*	*-*	*25*	*47*	*50*	*99*	*91*	*254*	*67*
7 Borrowings	420	2,900	3,170	1,047	637	2,168	3,063	863	1,442
8 Related Party Exposure	724	599	599	611	611	495	496	610	610
9 Non-Current Liabilities	354	252	256	258	261	425	428	242	242
10 Net Assets	4,084	2,267	2,250	2,313	2,289	2,244	2,201	2,140	2,135
11 Shareholders' Equity	4,084	2,267	2,250	2,313	2,289	2,244	2,201	2,140	2,135
B INCOME STATEMENT									
1 Sales	3,503	817	627	357	3,441	1,673	472	251	2,195
a Cost of Good Sold	*(2,899)*	*(549)*	*(446)*	*(284)*	*(2,788)*	*(1,272)*	*(215)*	*(211)*	*(2,149)*
2 Gross Profit	604	268	181	73	654	401	257	40	46
a Operating Expenses	(171)	(115)	(96)	(39)	(186)	(122)	(89)	(25)	(138)
3 Operating Profit	433	153	86	34	468	279	168	15	(93)
a Non Operating Income or (Expense)	*(5)*	*3*	*2*	*1*	*(5)*	*(16)*	*(2)*	*0*	*267*
4 Profit or (Loss) before Interest and Tax	428	156	88	35	463	263	166	15	174
a Total Finance Cost	*(231)*	*(141)*	*(89)*	*(9)*	*(206)*	*(129)*	*(79)*	*(10)*	*(138)*
b Taxation	*17*	*(3)*	*(4)*	*(2)*	*(75)*	*(4)*	*(0)*	*-*	*(31)*
6 Net Income Or (Loss)	213	12	(5)	23	183	130	86	5	5
C CASH FLOW STATEMENT									
a Free Cash Flows from Operations (FCFO)	*514*	*230*	*131*	*59*	*565*	*310*	*186*	*41*	*(2)*
b Net Cash from Operating Activities before Working Capital	*242*	*124*	*88*	*29*	*291*	*155*	*104*	*(17)*	*(129)*
c Changes in Working Capital	*244*	*(2,177)*	*(2,372)*	*(433)*	*667*	*(701)*	*(1,714)*	*580*	*(652)*
1 Net Cash provided by Operating Activities	486	(2,053)	(2,284)	(404)	958	(546)	(1,609)	563	(781)
2 Net Cash (Used in) or Available From Investing Activities	(166)	(180)	(174)	(24)	(112)	(80)	(60)	(14)	(245)
3 Net Cash (Used in) or Available From Financing Activities	(142)	2,217	2,486	410	(833)	810	1,706	(579)	1,453
4 Net Cash generated or (Used) during the period	177	(17)	29	(18)	12	184	37	(31)	427
D RATIO ANALYSIS									
1 Performance									
a Sales Growth (for the period)	1.8%	-68.4%	-63.5%	-58.5%	56.8%	1.6%	-57.0%	-54.3%	-15.0%
b Gross Profit Margin	17.2%	32.8%	28.9%	20.5%	19.0%	24.0%	54.4%	16.1%	2.1%
c Net Profit Margin	6.1%	1.5%	-0.9%	6.6%	5.3%	7.8%	18.2%	1.9%	0.2%
d Cash Conversion Efficiency (FCFO adjusted for Working C	21.7%	-238.5%	-357.1%	-104.8%	35.8%	-23.4%	-323.7%	247.3%	-29.8%
*e Return on Equity [Net Profit Margin * Asset Turnover * (T*	6.0%	0.8%	-0.6%	4.2%	7.7%	8.5%	9.1%	0.9%	0.3%
2 Working Capital Management									
a Gross Working Capital (Average Days)	45	525	467	196	92	239	763	391	136
b Net Working Capital (Average Days)	38	508	456	184	86	226	733	333	119
c Current Ratio (Current Assets / Current Liabilities)	2.5	9.8	8.5	2.8	1.9	6.2	10.3	1.8	5.6
3 Coverages									
a EBITDA / Finance Cost	2.4	1.8	1.7	6.9	2.9	2.7	3.0	4.2	0.3
b FCFO / Finance Cost+CMLTB+Excess STB	1.7	1.1	0.7	1.7	1.8	1.4	1.5	1.2	0.0
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fi	3.3	7.0	10.2	4.0	2.3	3.1	3.5	7.4	-7.0
4 Capital Structure									
a Total Borrowings / (Total Borrowings+Shareholders' Equit	21.9%	60.7%	62.6%	41.7%	35.3%	54.3%	61.8%	40.8%	49.0%
b Interest or Markup Payable (Days)	4.9	149.5	169.6	71.0	34.9	164.0	46.7	133.3	144.7
c Entity Average Borrowing Rate	10.0%	7.2%	6.8%	1.7%	9.2%	6.8%	5.7%	1.8%	6.4%

Credit Rating

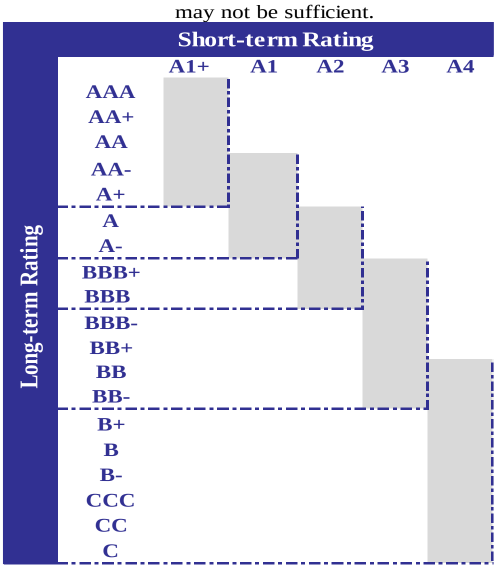
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

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):

Entities
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

Instruments
a) Basel III Compliant Debt Instrument Rating
b) Debt Instrument Rating
c) Sukuk 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.
(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