The Pakistan Credit Rating Agency Limited

Rating Report

Shujabad Agro Industries (Pvt.) Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
07-Aug-2020	BBB+	A2	Positive	Maintain	-
09-Aug-2019	BBB+	A2	Stable	Maintain	-
08-Feb-2019	BBB+	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan's edible oil industry is heavily reliant on imports since key imported raw materials account for ~80% of the cost of production. Additionally, low domestic oil seed production caused by a distortion in support price mechanism and lower yields have pushed farmers away from oil seed, further increasing dependence on imports. Amidst the COVID-19 outbreak, demand has been impacted due to closure of restaurants and banquet halls. However, being a staple food item, demand from household is not likely to drop. Meanwhile, sale and recovery of soy meal has been affected due to unfavorable circumstances of poultry and feed sector. On the supply side, the key raw materials – oil seed and RBD palm oil – are imported primarily from the USA, Brazil and Malaysia. Industry players have sufficient inventories to fulfill demand. International prices of soybean oil seed have dropped (~5%) slightly. Palm oil prices saw steeper decline (~20%), while the rupee has depreciated around 9% since Jan-20. Sales may remain under pressure due to prolonged closure of banquets and restaurants. However, branded and packaged oil segment is expected to remain competitive but margins and profitability may reduce for players in soybean oil refining segment. However, players refining crude palm oil and making ghee may benefit from lower prices once existing inventory is diluted. Interest rate cut and SBP initiatives like restructuring/deferment of loans will provide some respite in the short-time.
The ratings reflect Shujabad Agro Industries (Pvt.) Limited's developing brand equity for its premium (Eva Oil) and middle tier (Maan Ghee) brands. The Company posted higher revenues as it increased its volumetric output despite relatively subdued demand from meal segment amidst COVID-19. The Company managed to improve its margins and profitability as it passed on the higher costs to customers. Refined and branded edible oil segment remain competitive where volumes and margins are function of timeliness and prudence of raw materials procurement. The Company follows a cautious approach for its procurement and avoids inventory pile up. The demand may remain subdued amidst prevailing conditions in the short-term. The Company has a leveraged capital structure supplemented by strong coverages. The coverages improved despite higher interest rates as overall quantum of borrowings reduced and the Company generated higher cashflows. The recent cut in interest rate is expected to further improve the coverages. The Company improved its working capital cycle despite higher receivables with strong cushion for borrowings at the trade level.

The ratings are dependent on the management's ability to maintain its growing business volumes, while sustaining margins and profitability. Prudent management of working capital and maintaining strong coverages is critical. Effective changes in governance framework would be beneficial for the ratings.

Disclosure

Name of Rated Entity	Shujabad Agro Industries (Pvt.) 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 | Edible Oil(Feb-20)
Rating Analysts	Faiqa Qamar | faiqa.qamar@pacra.com | +92-42-35869504

Profile

Legal Structure Shujabad Ago Industries (Pvt.) Limited is incorporated as a private limited company in Pakistan, since Feb 2000.

Background The Sponsors of the Company had been supplying variants of semi-refined edible oils to local refiners since 1990. In 2000, Mian Ashfaq and his friend Mian Abdul Wahid co-founded Shujabad Agro Industries (Pvt.) Limited. Initially, the Company was extracting and supplying edible oil to B2B consumers only. Later, it entered the branded edible oil segment. The Company is competing in premium edible oil segment with 'Eva' and middle tier edible oil segment with 'Maan'.

Operations Shujabad Agro is primarily engaged in edible oilseed crushing/solvent extraction, refining, oil and ghee manufacturing and its packaging. The Company manufactures two different products (refined edible oil and meal) in four variants (cottonseed, sunflower, soybean and canola). The combined seed crushing capacity of the Company's three solvent extraction units is 225,000 MT per annum, with utilization of ~66%. The Company's edible oil refinery has an installed capacity of 69,000 MT per annum, with utilization upto 97%. Shujabad Agro's ghee manufacturing plant has an installed capacity of 10,800 MT per annum with 13% utilization. Pouch making and filling plants have installed capacity of making 43,200 pouches per day and filling 138,000 pouches per day, respectively. Around 7,000 PET bottles of 3-5 litre edible oil are filled per day. The Company's registered office is located in P.E.C.H.S, Karachi. While, the manufacturing facility is situated at Port Qasim, Karachi.

Ownership

Ownership Structure Shujabad Agro is majorly (60%) owned by the family members of Mr. Shakil Ashfaq, of which Mrs. Ambreen Shakil holds 45% of the shares. The remaining 40% of the shareholding resides with Mr. Abdul Wahid.

Stability Major ownership resides with Mr. Shakil Ashfaq and family. The Company has agreed to execute a shareholding agreement for further clarification in the ownership.

Business Acumen Ashfaq family has been associated with the edible oil industry since 1990's. The sponsors through their vast experience have become reliable partner for the consumer, hotel and retail industry, by making the Company to consistently comply with the standards of high quality. The Company has successfully established its brand's position.

Financial Strength Shujabad Agro is a stable business entity. The Sponsors have substantial financial strength to support the Company, if needed.

Governance

Board Structure Shujabad Agro 's Board comprises two Non-Executive Directors and one Executive Director. Lack of independent oversight indicates room for improvement in the governance framework.

Members' Profile The Board's Chairman, Mr. Shakil Ashfaq has been associated with the Company since inception and is a veteran of the industry. He is currently the President of All Pakistan Solvent Extractors' Association (APSEA). He has served as the President of Bin Qasim Association of Trade and Industry (BAQTI) and was a member of Executive Committee of Pakistan Vanaspati Manufacturers' Association (PVMA).

Board Effectiveness During 3QFY20, the Board met informally to discuss pertinent matters and make strategic decisions, with majority attendance. Minutes of these meetings are not formally documented.

Financial Transparency Shujabad Agro external auditors, M/s Haroon Zakaria & Co. Chartered Accountants, have expressed an unqualified opinion on the financial statements of the Company for the year ended FY19. The firm has been QCR rated by ICAP and are in auditors panel 'B' of SBP.

Management

Organizational Structure Shujabad Agro has structured and organized its organogram as per its operational needs. The Company operates through four divisions: Production, Finance, Marketing and Sales. All Divisional Heads report to the Company's CEO, who then makes pertinent decisions.

Management Team Shujabad Agro has experienced and professional management, with long association with the Company. The Company's CEO, Mr. Shakil Ashfaq laid the foundation of the Company. He is currently the President of All Pakistan Solvent Extractors' Association (APSEA).

Effectiveness An Executive Committees is formally in place and meets as per requirement to discuss pertinent matters of the Company. Minutes of these meetings are documented as per requirement.

MIS To observe and evaluate the business activity, a customized software is installed to generates production sheets. These sheets are reviewed by the respective departmental heads before presenting to the CEO. However, monthly reports are also generated as per requirement.

Control Environment To ensure operational efficiency, the Company has setup an internal audit function, which implements and monitors the policies and procedures of the Company. Head of Internal Audit reports to the Company's CEO.

Business Risk

Industry Dynamics Pakistan is a leading consumer of edible oils - a function of its population and eating habits. With ~ 4MMT annual demand, Pakistan is the 4th largest market for edible oil. This is met primarily through imports (~ 86% of total consumption), wherein ~ 80% (of total imports) is in the form of finished product and for the rest, oil seed is imported to be crushed and refined locally. Pakistan's edible oil refinery industry, currently producing ~1.5 MMT of oil and vanaspati ghee, and ~ 3MMT of meal for manufacturing cattle/poultry feed. Amidst the COVID-19 outbreak, sales and margins of refineries may come under pressure. However, branded and packaged oil segment is expected to remain competitive. Moreover, industry players are expected to benefit from reduced Soybean oil seed and RBD Palm oil prices once the existing inventories have diluted.

Relative Position Shujabad Agro has secured prominent position in the branded edible oil market due to its sustained quality and presence culminating in increased demand for their product. The Company holds a sizable share in the branded edible oil industry.

Revenues Shujabad Agro generates 40% revenue by manufacturing and selling refined and branded edible oil and banaspati ghee - Eva and Maan. Remaining 60% of the revenue is generated by selling meal in local and export markets and crude oil in bulk. During 3QFY20, Shujabad's top line posted an increase of 38% (3QFY20: PKR 14,196mln, 3QFY19: PKR 10,286mln). This was backed by higher prices and improved volumes. Major increase was witnessed in the sale of branded Soybean oil - Eva and Soybean meal in the local market. Export of meal posted an inclining trend during the period under review.

Margins Gross margins of the Company improved despite a significant increase in the input cost after rupee devaluation (3QFY20: 12.4%, 3QFY19: 11.9%). High input costs mainly relates to raw material (i.e. soybean oilseed) imported from Brazil and USA. Being in the branded edible oil segment, the Company has high selling and marketing expenses. However, higher sales and improved exchange gain led better net margins (3QFY20: 3.6%, 3QFY19: 1.9%). Net income improved subsatntially and clocked in at PKR 515mln (3QFY19: PKR 195mln).

Sustainability Going forward, growth in demand is anticipated in edible oil industry in the long-term. The management intends to expand its refinery operations upto 250 – 300 MT/day. The required CAPEX for this expansion would be around PKR 960mln. The declining interest rates are expected to supplement profitability. Revenues and margins may come under pressure if lockdown prolongs.

Financial Risk

Working Capital At Shujabad Agro, working capital is dominated by high inventory days (3QFY20: 81 days, 3QFY19: 74 days). Operating with meal customers on credit with a period of 50-60 days, led to average debtor days of 67 days in 3QFY20 (3QFY19: 54days). Most of the raw materials (oilseed) are purchased on Sight LC, payable within one to two weeks. This led the Company's net cash cycle to 137 days in 3QFY20 (3QFY19: 123 days). Despite increase in net cash cycle, the Company did not increase its leveraging. This improved the cushion for borrowings at trade level, if needed.

Coverages Interest cover (3QFY20: 2.5x, 3QFY19: 1.9x) is a function of the Company's gross interest and free cashflows and remains strong. The Company's borrowing cost increased to PKR 433mln, (3QFY19: PKR 274mln) due to high interest rates. However, on the back of better profitability, the Company's free cash flows posted a significant surge (3QFY20: 1,057mln, 3QFY19: PKR 485mln). The core and total coverage ratios also posted an increase (3QFY20: 2.5x, 3QFY19: 1.9x).

Capitalization Shujabad Agro has a highly leveraged capital structure with debt to equity ratio of 63% in 3QFY20 (3QFY19: 71%). The Company's total debt increased marginally to PKR 4.1bln in 3QFY20 (3QFY19: PKR 3.9bln) to procure/import raw materials (oilseed) in bulk after rupee depreciation.

The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

Shujabad Agro Industries (Pvt.) Limited	Mar-20	Dec-19	Jun-19	Mar-19	Jun-18	Jun-17
Edible Oil	9M	6M	12M	9M	12M	12M
A BALANCE SHEET						
1 Non-Current Assets	788	646	647	567	553	523
2 Investments	-	-	-	-	-	-
3 Related Party Exposure	-	-	-	-	-	-
4 Current Assets	9,189	6,495	7,302	5,654	4,829	4,439
a Inventories	*4,061*	*3,343*	*4,354*	*2,897*	*2,655*	*2,259*
b Trade Receivables	*4,647*	*2,431*	*2,275*	*2,294*	*1,783*	*1,778*
5 Total Assets	9,977	7,141	7,950	6,221	5,382	4,962
6 Current Liabilities	3,507	774	1,580	506	693	444
a Trade Payables	*999*	*282*	*124*	*134*	*267*	*287*
7 Borrowings	4,050	4,308	4,475	3,977	3,159	3,142
8 Related Party Exposure	-	-	-	-	-	-
9 Non-Current Liabilities	80	76	70	73	59	77
10 Net Assets	2,340	1,982	1,825	1,666	1,471	1,298
11 Shareholders' Equity	2,340	1,982	1,825	1,666	1,471	1,298
B INCOME STATEMENT						
1 Sales	14,196	7,662	13,440	10,286	13,205	9,239
a Cost of Good Sold	*(12,441)*	*(6,787)*	*(11,827)*	*(9,066)*	*(11,757)*	*(8,245)*
2 Gross Profit	1,755	875	1,613	1,220	1,449	994
a Operating Expenses	(652)	(365)	(779)	(625)	(754)	(491)
3 Operating Profit	1,102	509	835	595	694	503
a Non Operating Income or (Expense)	*45*	*17*	*27*	*20*	*47*	*(11)*
4 Profit or (Loss) before Interest and Tax	1,147	527	862	616	742	492
a Total Finance Cost	*(433)*	*(254)*	*(398)*	*(274)*	*(277)*	*(163)*
b Taxation	*(198)*	*(115)*	*(110)*	*(147)*	*(135)*	*(111)*
6 Net Income Or (Loss)	515	158	354	195	329	218
C CASH FLOW STATEMENT						
a Free Cash Flows from Operations (FCFO)	*1,057*	*392*	*697*	*485*	*634*	*492*
b Net Cash from Operating Activities before Working Capital Changes	*637*	*140*	*366*	*260*	*370*	*356*
c Changes in Working Capital	*(135)*	*0*	*(1,389)*	*(858)*	*(266)*	*(1,366)*
1 Net Cash provided by Operating Activities	502	140	(1,024)	(598)	104	(1,010)
2 Net Cash (Used in) or Available From Investing Activities	(143)	(29)	(96)	(68)	(79)	(97)
3 Net Cash (Used in) or Available From Financing Activities	(425)	(167)	1,144	667	7	1,139
4 Net Cash generated or (Used) during the period	(66)	(56)	23	2	31	32
D RATIO ANALYSIS						
1 Performance						
a Sales Growth (for the period)	40.8%	14.0%	1.8%	3.9%	42.9%	19.4%
b Gross Profit Margin	12.4%	11.4%	12.0%	11.9%	11.0%	10.8%
c Net Profit Margin	3.6%	2.1%	2.6%	1.9%	2.5%	2.4%
d Cash Conversion Efficiency (EBITDA/Sales)	8.4%	7.4%	6.9%	6.6%	6.2%	6.0%
e Return on Equity (ROE)	33.0%	16.6%	21.5%	16.6%	23.8%	18.4%
2 Working Capital Management						
a Gross Working Capital (Average Days)	148	148	150	128	117	133
b Net Working Capital (Average Days)	137	143	145	123	109	121
c Current Ratio (Total Current Assets/Total Current Liabilities)	2.6	8.4	4.6	11.2	7.0	10.0
3 Coverages						
a EBITDA / Finance Cost	2.9	2.3	2.4	2.6	3.1	3.5
b FCFO / Finance Cost+CMLTB+Excess STB	2.5	1.6	1.8	1.9	2.3	2.9
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.0	0.0	0.1	0.0	0.1	0.1
4 Capital Structure (Total Debt/Total Debt+Equity)						
a Total Borrowings / Total Borrowings+Equity	63.4%	68.5%	71.0%	70.5%	68.2%	70.8%
b Interest or Markup Payable (Days)	73.5	74.9	93.9	96.1	57.6	88.0
c Average Borrowing Rate	13.0%	11.1%	10.0%	9.6%	8.2%	6.1%

Credit Rating

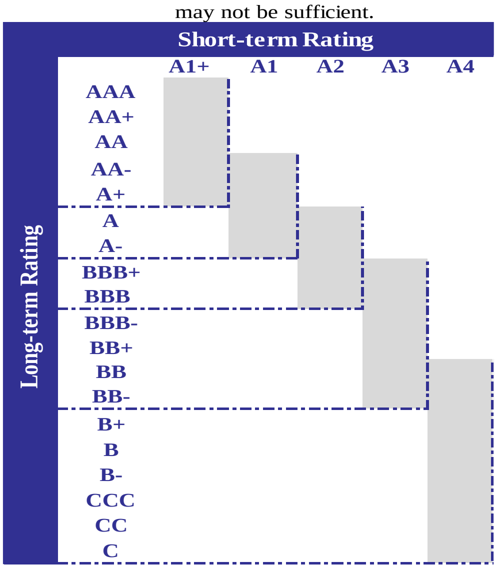
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

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