



The Pakistan Credit Rating Agency Limited

## Rating Report

### Hi-Tech Feeds (Pvt.) Limited

#### Report Contents

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
19-Jan-2021	BBB-	A3	Stable	Maintain	-
16-Jul-2020	BBB-	A3	Developing	Maintain	YES
17-Jul-2019	BBB-	A3	Stable	Maintain	-
15-Jan-2019	BBB-	A3	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The global feed industry is valued at ~\$460bln, with poultry (~\$166bln) constituting ~36% of the total industry. Pakistan produces ~8mln MT of feed annually, with ~150 registered feed mills and ~200 unregistered feed mills catering to it. The industry generates an annual turnover of ~PKR 200bln to PKR 250bln from local sales. Amidst the COVID-19 pandemic, closure of restaurants/marriage halls and export avenues led to a supply glut of poultry products in local market. As a result, prices of poultry products posted a dip. Subsequently, sale of feed and recovery from farms remained under pressure. Although feed producers had sufficient inventory, liquidity crunch significantly impacted the industry players. Lately, as business avenues became operational, demand for poultry products has improved. A visible surge is also observed in feed and poultry product prices. Subsequently, sale of feed and recovery from farms has improved. This is likely to benefit the industry players, provided that the supply of poultry products remain stable. This, along with SBP's interest rate cut and deferment/restructuring option is expected to provide sufficient respite to the industry players.

The ratings reflect Hi-Tech Feeds (Pvt.) Limited's association is with an established poultry group, Hi-Tech Group. The Company is part of Group's integrated poultry chain – oil/meal, feed and poultry – and enjoys a moderate market share with good Feed Conversion Ratio. Hi-Tech remained exposed to inherent risks in the feed industry emanated from raw material price changes and low demand amidst the Covid-19 pandemic. Lately, the increasing demand and prices of poultry products has eased some pressure off the Company. Moreover, the Company's ability to pass on the increased raw material cost to poultry farms led to improved margins. Further, rate cut by SBP will benefit the profitability and in turn cashflows. The Company has piled up raw material inventory, procured on cash, in anticipation of higher prices. This led to stretched working capital requirement, with receivable days also high, met through short-term borrowings. The Company had a moderately leveraged capital structure, while coverages remain stable.

The ratings are dependent on the management's ability to sustain its operations and improve capacity utilization. Maintaining strict working capital discipline through prudent inventory management and rationalizing significantly high receivable days and ensuing borrowings remain critical. Any significant deterioration in margins and/or prolonged low sales cycle will have negative impact on the ratings. Support from sponsors and other group entities is important.

#### Disclosure

<b>Name of Rated Entity</b>	Hi-Tech Feeds (Pvt.) Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Ratings(Jun-20),Methodology   Correlation Between Long-Term And Short-Term Rating Scale(Jun-20),Criteria   Rating Modifier(Jun-20)
<b>Related Research</b>	Sector Study   Poultry Feed(Jan-20)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Hi-Tech Feeds (Pvt.) Limited ('Hi-Tech Feeds' or 'the Company') is incorporated as a Private Limited Company.

**Background** In 1980, the Sponsors started from small scale poultry breeder business and later diversified vertically across the poultry supply chain. Today, the Group has poultry feed mills, poultry farms, rice processing unit, edible oil mill and a veterinary pharmaceutical unit. Hi-Tech Feeds became operational in 1985 when the Company set up its first feed mill in Lahore. Another feed mill was setup in Sahiwal in 2009.

**Operations** Hi-Tech Feeds is primarily engaged in the production and sale of poultry feed for breeder chicks, broiler and layers. The Company has two feed production units. Unit I, located in Lahore, manufactures feed at an installed capacity of 100 MT per hour. While, Unit II, located in Sahiwal, has an installed capacity of 90 MT per hour. The combined annual capacity of the Company is 396,000 MT per year. In 6MFY21, the Company produced 94,060MT feeds, with a capacity utilization of ~48% (6MFY20: ~55%). The decline in utilization is attributable to lower demand of feeds and poultry products due to lockdown imposed by the Government.

## Ownership

**Ownership Structure** Hi-Tech Feeds, like other Group Companies, is equally owned (25% each) by Dr. Muhammad Arshad, Dr. Abdul Qayyum, Dr. Muhammad Asim Khan and Dr. Anwar Mahmood Randhawa.

**Stability** Ownership of the business is seen as stable as equal ownership vests with the Sponsors. Moreover, the second generation has recently joined Group Companies

**Business Acumen** Hi-Tech Group entered into the business arena in 1980. The Group's first venture was Hi-Tech Feeds (Pvt.) Limited. Later, the Group set up various business entities across poultry supply chain. The Sponsors have experienced multiple business cycles and are considered among pioneers of poultry industry.

**Financial Strength** Hi-Tech Group entered into the business arena in 1980. The Group's first venture was Hi-Tech Feeds (Pvt.) Limited. Later, the Group set up various business entities across poultry supply chain. The Sponsors have experienced multiple business cycles and are considered among pioneers of poultry industry.

## Governance

**Board Structure** Hi-Tech Feeds BoD comprises four Executive Directors, who are also the Sponsors of the Company. Absence of non-executive Director and lack of independent oversight indicates room for improvement in the Company's governance framework

**Members' Profile** All four Directors hold a veterinary degree and extensive industry knowledge. The Board's Chairman, Dr. Anwar Mahmood Randhawa, is a Doctor of Veterinary Medicine. He has overall experience of 44 years in poultry and integrated businesses.

**Board Effectiveness** During FY20, the Board met informally four times to discuss pertinent matters and make strategic decisions, with majority attendance. However, minutes of these meetings are not formally kept. Sub-committees are not in place in the Company.

**Financial Transparency** Hi-Tech Feeds' external auditors, M/s Hameed Zahid & Co. Chartered Accountants, have expressed an unqualified opinion on the financial statements of the Company for the year ended June 30, 2020. The firm has been QCR rated by ICAP and not in the SBP panel of auditors.

## Management

**Organizational Structure** Hi-Tech Feeds operates through six departments; Procurement, Production, Marketing and Sales, Finance, Information Technology and Tax. Both of the Company's feed mills are monitored by their respective GM Productions. All Departmental Heads report to the Company's CEO, who then makes pertinent decisions. As the Company's CEO makes key decisions, reliance on him remains high.

**Management Team** Hi-Tech Feeds CEO, Dr. Muhammad Arshad, laid the foundation of the Group and set up Hi-Tech Feeds. He actively participates in many international and local seminars on poultry, feed milling and veterinary pharmaceutical industry. Mr. Abid Shiko, the Company's CFO, has an overall experience of 23 years. He has been associated with Hi-Tech Group from 2 years. Dr. Muhammad Athar, GM Production, has an overall experience of over 3 decades. He has been associated with Hi-Tech Feeds from past 29 years.

**Effectiveness** There are no formal Management committees. However, pertinent matters are discussed among the four Directors/Sponsors or department head as per requirement. No formal documentation of these discussion sessions are maintained.

**MIS** Hi-Tech Group has built a customized software in-house to monitor and generate reports relating to the Company's inventory management, sales, receivables and payables. To integrate other functions, many other modules are in the development stage. Moreover, the Company's feed manufacturing facilities are fully automated.

**Control Environment** To ensure operational efficiency, an internal audit function is placed at Group level, which implements and monitors policies and procedures of the Company. On an operational level, samples of maize, meals, medicines and manufactured feed variants are tested for quality in a well-equipped laboratory.

## Business Risk

**Industry Dynamics** The global feed industry is valued at ~\$460bln, with poultry (~\$166bln) constituting ~36% of the total industry. Pakistan produces ~8mln MT of feed annually, with ~150 registered feed mills and ~200 unregistered feed mills catering to it. The industry generates an annual turnover of ~PKR 200bln to PKR 250bln from local sales. Amidst the COVID-19 pandemic, closure of restaurants/marriage halls and export avenues led to a supply glut of poultry products in local market. Lately, as business avenues became operational, demand for poultry products has improved. A visible surge is also observed in feed and poultry product prices. Subsequently, sale of feed and recovery from farms has improved. This is likely to benefit the industry players, provided that the supply of poultry products remain stable. This, along with SBP's interest rate cut and deferment/restructuring option is expected to provide sufficient respite to the industry players.

**Relative Position** Hi-Tech Feeds' has secured prominent position in the market due to its high FCR, culminating in an increased demand for their product. The Company is ranked among the second-tier players of poultry feed industry.

**Revenues** Hi-Tech Feeds generated a topline of PKR 9,955mln in FY20 (FY19: PKR 9,741mln). Demand for poultry feed is derived from the poultry sheds/farms, thus is volatile in nature. The Company was not able to post a strong growth owing to slower fourth quarter as closure of restaurants/marriage halls and export avenues created a supply glut of poultry products in the market. This trend continued in 1QFY21 as the Company has posted revenue of ~PKR 2,292mln (FY20: ~PKR 9,955mln, 1QFY20: ~PKR 2,732), reflecting a decline of ~8%.

**Margins** The Company's ability to pass on the increased raw material cost to poultry farms led to improved gross margins (1QFY21: ~12%, FY20: ~12%, 1QFY20: ~9%). The management kept the operating cost in control resulting in better operating margins (1QFY21: ~9%, FY20: ~9%, 1QFY20: ~7%). Net margin (1QFY21: 1.5%, FY20: 0.3%, 1QFY20: 1.3%) saw an improvement on the back of lower KIBOR rate.

**Sustainability** High poultry feed prices and recovery of demand due to relaxation in lockdown tends to bode well for the Company. However, the Company is exposed to volatility and ensuing challenges in the feed and poultry sector.

## Financial Risk

**Working Capital** During FY20, the inventory days stood at 171 days (FY19: 154 days) owing to slow-down in feed and poultry industry. Moreover, the receivable days deteriorated to 51 days (FY19: 41 days) due to slow down in recoveries. Meanwhile, the trade payable days declined to 96 days (FY19: 105 days) as the Company has paid its creditors earlier than usual. Consequently, the net working capital days suffered and stood at 126 days (FY19: 90 days). In 1QFY21, net working capital days further deteriorated to 171 days (1QFY20: 120 days) on the back of both; elongated inventory and receivable cycle. Also, the short-term trade leverage stood at ~5% in 1QFY21 (FY20: ~7%, 1QFY20: ~10%), showing no room to borrow against working capital.

**Coverages** During FY20, the free cashflows from operations improved significantly to ~PKR 1,082mln (FY19: ~PKR 562mln). Meanwhile, the finance cost increased to ~PKR 786mln (FY19: ~PKR 364mln) on the back of elevated borrowings. Resultantly, the interest and debt coverages ratio witnessed a slight dip to 1.4x (FY19: 1.6x) and 1.3x (FY19: 1.4x), respectively. In 1QFY21, Hi-Tech Feeds witnessed no substantial change in interest coverage (1QFY21: 1.5x, 1QFY20: 1.4x) and debt coverage (1QFY21: 1.5x, 1QFY20: 1.4x), despite improved free cashflows and lower KIBOR rate.

**Capitalization** Hi-Tech has a moderately leveraged capital structure with a leveraging ratio of ~46% in FY20 (FY19: ~40%). Short-term borrowing constituted nearly 90% of total borrowings. In 1QFY21, the leveraging ratio observed an increase to ~48%, as the Company continued to incur borrowings.



Hi-Tech Feeds (Pvt.) Limited Poultry Feeds	Sep-20	Jun-20	Sep-19	Jun-19	Jun-18
	3M	12M	3M	12M	12M

#### A BALANCE SHEET

1 Non-Current Assets	5,637	5,702	5,194	5,267	932
2 Investments	-	-	-	-	85
3 Related Party Exposure	301	299	422	475	882
4 Current Assets	7,217	7,089	7,486	7,653	5,770
<i>a Inventories</i>	4,862	4,570	5,065	4,743	3,488
<i>b Trade Receivables</i>	1,507	1,449	1,372	1,306	886
5 Total Assets	13,155	13,090	13,102	13,396	7,669
6 Current Liabilities	2,028	2,550	2,682	3,906	2,664
<i>a Trade Payables</i>	1,733	2,088	2,179	3,128	2,495
7 Borrowings	5,249	4,700	4,733	3,789	3,556
8 Related Party Exposure	72	72	-	-	-
9 Non-Current Liabilities	137	134	77	75	75
10 Net Assets	5,670	5,635	5,610	5,626	1,374
11 Shareholders' Equity	5,670	5,635	5,629	5,626	1,374

#### B INCOME STATEMENT

1 Sales	2,292	9,955	2,732	9,741	8,160
<i>a Cost of Good Sold</i>	(2,012)	(8,797)	(2,487)	(8,953)	(7,460)
2 Gross Profit	280	1,158	244	788	699
<i>a Operating Expenses</i>	(72)	(243)	(66)	(247)	(351)
3 Operating Profit	209	915	179	541	348
<i>a Non Operating Income or (Expense)</i>	(3)	(2)	(3)	(1)	(36)
4 Profit or (Loss) before Interest and Tax	205	912	175	539	313
<i>a Total Finance Cost</i>	(144)	(786)	(124)	(364)	(185)
<i>b Taxation</i>	(27)	(93)	(15)	(34)	(19)
6 Net Income Or (Loss)	35	33	37	141	108

#### C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	207	1,082	170	562	408
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	15	358	26	310	238
<i>c Changes in Working Capital</i>	(594)	(1,211)	(1,642)	(588)	(1,083)
1 Net Cash provided by Operating Activities	(579)	(853)	(1,616)	(277)	(845)
2 Net Cash (Used in) or Available From Investing Activities	1	390	593	(368)	(521)
3 Net Cash (Used in) or Available From Financing Activities	539	416	1,598	232	2,305
4 Net Cash generated or (Used) during the period	(39)	(47)	575	(413)	939

#### D RATIO ANALYSIS

1 Performance					
<i>a Sales Growth (for the period)</i>	-7.9%	2.2%	12.2%	19.4%	-5.4%
<i>b Gross Profit Margin</i>	12.2%	11.6%	8.9%	8.1%	8.6%
<i>c Net Profit Margin</i>	1.5%	0.3%	1.3%	1.4%	1.3%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	-16.9%	-1.3%	-53.9%	-0.3%	-8.3%
<i>e Return on Equity / Net Profit Margin * Asset Turnover * (Total Assets/Sh</i>	2.4%	0.6%	2.6%	3.2%	8.2%
2 Working Capital Management					
<i>a Gross Working Capital (Average Days)</i>	247	221	209	195	209
<i>b Net Working Capital (Average Days)</i>	171	126	120	90	73
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	3.6	2.8	2.8	2.0	2.2
3 Coverages					
<i>a EBITDA / Finance Cost</i>	1.9	1.5	1.6	1.7	2.4
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	1.5	1.3	1.4	1.4	0.6
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	1.8	1.7	0.0	0.2	2.0
4 Capital Structure					
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	48.4%	45.9%	45.7%	40.2%	72.1%
<i>b Interest or Markup Payable (Days)</i>	52.8	67.2	74.4	129.1	56.0
<i>c Entity Average Borrowing Rate</i>	10.5%	16.3%	10.8%	8.8%	6.9%

**Credit Rating**

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

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

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*\*The correlation shown is indicative and, in certain cases, may not hold.*

**Outlook (Stable, Positive, Negative, Developing)** Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

**Rating Watch** Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

**Suspension** It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn** A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

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

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

<p><b>Entities</b></p> <ul style="list-style-type: none"> <li>a) Broker Entity Rating</li> <li>b) Corporate Rating</li> <li>c) Financial Institution Rating</li> <li>d) Holding Company Rating</li> <li>e) Independent Power Producer Rating</li> <li>f) Microfinance Institution Rating</li> <li>g) Non-Banking Finance Companies (NBFCs) Rating</li> </ul>	<p><b>Instruments</b></p> <ul style="list-style-type: none"> <li>a) Basel III Compliant Debt Instrument Rating</li> <li>b) Debt Instrument Rating</li> <li>c) Sukuk Rating</li> </ul>
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(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

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- (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)

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- (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)
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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

### **Monitoring and review**

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

### **Probability of Default**

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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