The Pakistan Credit Rating Agency Limited

Rating Report

Sindh Abadgars Sugar Mills Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
04-Sep-2020	BBB	A2	Stable	Maintain	-
16-Sep-2019	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 – 75 mln 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 MY19, the overall sugar production fell by 16%, YoY, to 5.5 mln MT on the back of lower crop availability. Sugar prices improved in local market as inventory levels reduced. The Government approved an export quota upto 1 MMT, however, no subsidy was announced, leading to low quantities availed. In the FY20 budget, sales tax levied on sugar was increased to 17% from 8%, charged on the price of PKR 60/KG, contributing to higher prices. Due to low crop availability in the crushing period ended Mar-20, sugar production is around 5-5.2 mln MT. The Government increased the support price of sugarcane to PKR 190 per maund (previously PKR180). Actual realized sugarcane price at mill gate were higher. Despite increase in costs, higher local sugar prices are expected to improve miller's profitability. Local prices are expected to be capped due to lower international prices (making imports viable) and potential intervention by the Government.

The ratings reflect the Company's association with an established group in the agri chain and demonstrated support of it's sponsors. Sindh Abadgars Sugar Mills (Sindh Abadgars) has a modest business profile and relatively lower margins in the Sugar industry. The Company generates its revenue from the sale of refined sugar and it's ensuing by-products, molasses and bagasse. The mill, located in Sindh, has a relatively adequate capacity of 8,000 TCD. Timely BMR activities to enhance efficiency and yielded stable recovery rate of ~10.5%. However, lower crop cultivation and high concentration of mills in adjoining areas led to lower production levels and remains a challenge for the Company. Sindh Abadgars held on to stock during 3QMY20. This is expected to bode well for the Company's profitability as sugar prices have increased significantly. Lack of diversification exposes the Company to inherent volatility in the sugar industry. The financial risk profile is characterized by a high working capital cycle, dominated by sugar stocks and moderate leveraging, to finance working capital requirements. Coverages, a function of the Comany's business activity and leveraging, remain adequate. Likely group support, in case need arises, remains key rating factor.

The ratings are dependent upon increasing utilization, while improving margins and strict working capital discipline. The Company's ability to sustain profitability while further strengthening coverage ratios remains imperative. Any significant deterioration in business performance and/or financial health will negatively impact ratings.

Disclosure

Name of Rated Entity	Sindh Abadgars 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-19)
Rating Analysts	Faiqa Qamar | faiqa.qamar@pacra.com | +92-42-35869504

Profile

Legal Structure Sindh Abadgars Sugar Mills Limited ('Sindh Abadgars' or 'the Company') is a Public Limited Company and is listed on the Pakistan Stock Exchange.

Background The Company was incorporated in Karachi, Pakistan, on January 28, 1984. The Company used to be under the ownership of the Effendi Group. However, the Essarani Family over took the business in 2005.

Operations The Company is involved in the manufacture and sale of white refined crystal sugar of all grades (including pharmaceutical grade), colors and by products bagasse and molasses. Sugar Mill is located at Tando Mohammed Khan (38 miles from Hyderabad, Sindh) with a current crushing capacity of 8,000 MT per day. During MY20 the Company produced ~38mln MT of sugar, significantly lower than MY19 (47mln MT) owing to unavailability of sugarcane stock. Moreover, a decreased recovery rate of ~10.5% was achieved (MY19: 10.8%)

Ownership

Ownership Structure Sindh Abadgars Limited is majorly owned by the Essarani Family with ~79% of the holding vesting with the sponsoring family members. Insurance Companies collectively hold ~2.5% while foreign investors (mainly Islamic Development Bank) also hold a sizeable chunk of 9%. Remaining ~10% of the Company's shares reside with the general public.

Stability Ownership is stable as major stake rests with Essarani Family. Although no documented succession planning exists, roles of family members are defined.

Business Acumen Essarani family has been involved in agriculture sector for a significant period of time and operates under th name 'United Group'. The Group's entities include two sugar mills (Sindh Abadgar and SGM Sugar Mills), United Ethanol Industries Limited (Distillery), Agro Trade Private Limited and United Agro Chemicals, involved in Commodity trading (Fertilizer and Coal).

Financial Strength The Company has adequate financial strength derived from its Group and support of sponsors. The Group has total assets worth ~PKR 18bln, supported through an equity base of ~PKR 10bln as at MY19. The Group is moderately leveraged, reflected by a debt-to-equity ratio of 45%. Total debt stood at ~PKR 8bln as at MY19. The Group posted a net profit of ~PKR 1.3bln during MY19.

Governance

Board Structure Sindh Abadgars Board comprises ten members. There are five non-executive directors, two executive directors and three independent directors. Nine members are male, with one female representation. The Board is dominated by the sponsoring family (7).

Members' Profile Mr. Deoo Mal Esraani, Chairman of the Board, also chairs the Board of two other group companies, SGM Sugar Mills Limited and United Ethanol Industries Limited. He has more than 46 years of experience. Dr. Shafaqat Ali Shah, the sole independent member, resigned in the Board elections held on 18th Aug'20. Three new independent directors were inducted: Mr. Zafar Ahmed Ghori, Mr. M. Siddiq Khokhar and Ms. Maheshwari Osha.

Board Effectiveness The Company's Board constitutes two sub-committees for monitoring and oversight namely, Audit Committee and HR & Remuneration Committee.

Financial Transparency Auditors of the Company, M/s Rahman Sarfaraz Rahim Iqbal Rafiq, has expressed an unqualified opinion on financial statements for MY19. The firm has been categorized in category 'A' by SBP and has been QCR rated by ICAP.

Management

Organizational Structure The Organization Structure is divided into two segments, to oversee operations at the Mill and administration from the Head-Office. Mill operations are headed by resident director, whereas administration is headed by Group CFO with both heads reporting directly to the CEO. The Company has established departments for its core functions, namely: a) Administration & Sales, b) Finance & Tax (including internal audit), c) Purchase, and d) Corporate Affairs. All departments report to the CFO who then reports to the CEO.

Management Team Dr. Tara Chand, the Chief Executive Officer, has more than 15 years of experience in the sugar and allied industry. He is ably supported by Mr. Abdul Rahim Mallah (Resident Director Mills) and Mr. Syed Abid Hussain (Group CFO). The senior management team comprises seasoned professional having significant experience in the Sugar Industry.

Effectiveness The Company has no management committees in place. However, performance is discussed among management on a fortnightly basis. Further, daily reporting to CEO of bank lines, inventory and sales positions enables effective control and management.

MIS Sindh Abadgars uses an in-house developed web based information system for MIS. Reports pertaining to production, bank positions, etc. are submitted to senior management on a daily and monthly basis.

Control Environment Internal audit department is shared on a group level. Going forward, the group plans to enhance its control environment through induction of additional individuals.

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 – 75 mln 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 MY19, the overall sugar production fell by 16%, YoY, to 5.5 mln MT on the back of lower crop availability. Sugar prices improved in local market as inventory levels reduced. The Government approved an export quota upto 1 MMT, however, no subsidy was announced, leading to low quantities availed. In the FY20 budget, sales tax levied on sugar was increased to 17% from 8%, charged on the price of PKR 60/KG, contributing to higher prices. Due to low crop availability in the crushing period ended Mar-20, sugar production is around 5-5.2 mln MT. The Government increased the support price of sugarcane to PKR 190 per maund (previously PKR180). Actual realized sugarcane price at mill gate were higher. Despite increase in costs, higher local sugar prices are expected to improve miller's profitability. Local prices are expected to be capped due to lower international prices (making imports viable) and potential intervention by the Government.

Relative Position Sindh Abadgars is a relatively small player and contributed ~ 0.7% to the total production of sugar in Pakistan, whereas larger player supply ~ 6% of the total sugar produced.

Revenues The Company generates most of its revenue (81%) from the sale of refined sugar. However, sale of molasses (17%) and bagasse (2%) also contribute to the turnover. The Company's top-line improved by 43% and amounted to PKR 1,847mln in 3QMY20 (3QMY19: PKR 1,289mln) supported by rise in sugar prices. The Company held stock in anticipation of increase in sugar prices. During 3QMY20, the Company exported sugar to Afghanistan and China, amounting to PKR 76mln.

Margins During 3QMY20, the Company's gross margin decreased to 4% (3QMY19: 12%) due to increase in sugarcane cost as the crop yield was low in comparison to previous years. The Company posted net loss of PKR 139mln during 3QMY20 (3QMY19: net loss of PKR 22mln), due to the high finance costs. Net margin stood at -8% (3QMY19: -2%).

Sustainability The Company's margins are expected to improve on the back of increase of sugar prices in the market. However, volumes are expected to remain low due to decreased production in line with unavailability of sugarcane crop in adjoining areas.

Financial Risk

Working Capital The Company has built up inventory levels after the crushing season resulting in high working capital requirements. The Company managed its working capital through sponsor's loans and short term finance from banks. Long cash cycle result from holding of inventory, thus impacting the Company's net working capital cycle (3QMY20: 109days, 3QMY19: 314days).

Coverages Coverages, a function of the Company's business activity, remained volatile. Interest coverage ratio posted a dip during 3QMY20 and stood at 0.9x (3QMY19: 2.1x) due to decrease in cashflows as sugar off take remain slow. Similarly, the Company's core and total coverages posted a dip to 0.9x in 3QMY20 (3QMY19: 1.1x).

Capitalization Sindh Abadgars has a total debt of PKR 1,375mln as at 3QMY20 posting a leverage ratio of ~58%. Long-term loans amounted to PKR 400mln which were obtained to meet capital expenditure requirements. Short term debt amounted to PKR 975mln and were obtained for procurement of sugarcane and holding.

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PKR mln

Sindh Abadgar's Sugar Mills Limited	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18
Sugar	9M	6M	3M	12M	9M	6M	3M	12M
A BALANCE SHEET								
1 Non-Current Assets	2,442	2,499	2,564	2,606	2,622	2,685	2,748	2,805
2 Investments	-	-	-	-	-	-	-	-
3 Related Party Exposure	-	-	-	-	-	-	-	-
4 Current Assets	2,063	3,144	1,006	892	2,372	2,844	1,015	646
a Inventories	*1,445*	*2,279*	*374*	*461*	*1,349*	*2,142*	*397*	*9*
b Trade Receivables	*180*	*362*	*-*	*-*	*510*	*278*	*38*	*252*
5 Total Assets	4,505	5,643	3,570	3,498	4,994	5,529	3,763	3,451
6 Current Liabilities	992	946	481	365	376	658	496	309
a Trade Payables	*588*	*555*	*290*	*212*	*254*	*599*	*432*	*262*
7 Borrowings	1,375	2,452	829	788	2,303	2,608	1,022	779
8 Related Party Exposure	260	260	260	260	260	260	260	260
9 Non-Current Liabilities	709	737	761	766	809	774	804	818
10 Net Assets	1,168	1,247	1,240	1,318	1,246	1,228	1,181	1,285
11 Shareholders' Equity	1,168	1,247	1,240	1,318	1,246	1,228	1,181	1,285
B INCOME STATEMENT								
1 Sales	1,847	959	470	2,454	1,289	300	-	4,536
a Cost of Good Sold	*(1,780)*	*(872)*	*(487)*	*(2,107)*	*(1,137)*	*(269)*	*(76)*	*(4,129)*
2 Gross Profit	67	87	(17)	347	151	31	(76)	407
a Operating Expenses	(100)	(76)	(41)	(110)	(83)	(60)	(25)	(191)
3 Operating Profit	(33)	11	(58)	237	68	(29)	(101)	216
a Non Operating Income or (Expense)	*4*	*(5)*	*1*	*2*	*61*	*20*	*1*	*26*
4 Profit or (Loss) before Interest and Tax	(29)	5	(58)	240	129	(9)	(100)	242
a Total Finance Cost	*(141)*	*(82)*	*(19)*	*(198)*	*(144)*	*(71)*	*(17)*	*(116)*
b Taxation	*31*	*17*	*(1)*	*8*	*(7)*	*24*	*13*	*(57)*
6 Net Income Or (Loss)	(139)	(60)	(78)	50	(22)	(57)	(104)	68
C CASH FLOW STATEMENT								
a Free Cash Flows from Operations (FCFO)	*123*	*111*	*(8)*	*470*	*299*	*113*	*(39)*	*510*
b Net Cash from Operating Activities before Working Capital Changes	*15*	*66*	*(34)*	*277*	*228*	*78*	*(57)*	*357*
c Changes in Working Capital	*(583)*	*(1,702)*	*175*	*(222)*	*(1,652)*	*(1,885)*	*(60)*	*741*
1 Net Cash provided by Operating Activities	(569)	(1,636)	140	54	(1,424)	(1,807)	(116)	1,098
2 Net Cash (Used in) or Available From Investing Activities	(7)	(7)	(15)	(52)	(8)	(7)	(7)	(144)
3 Net Cash (Used in) or Available From Financing Activities	(59)	(59)	(50)	(344)	(177)	(106)	(71)	(70)
4 Net Cash generated or (Used) during the period	(635)	(1,702)	76	(341)	(1,609)	(1,920)	(194)	884
D RATIO ANALYSIS								
1 Performance								
a Sales Growth (for the period)	0.3%	-21.9%	-23.5%	-45.9%	-62.1%	-86.8%	N/A	96.0%
b Gross Profit Margin	3.6%	9.1%	-3.7%	14.1%	11.7%	10.3%	N/A	9.0%
c Net Profit Margin	-7.5%	-6.3%	-16.6%	2.0%	-1.7%	-18.9%	N/A	1.5%
d Cash Conversion Efficiency (EBITDA/Sales)	7.7%	12.4%	-0.2%	20.3%	24.8%	39.0%	N/A	12.3%
e Return on Equity (ROE)	-14.9%	-9.4%	-24.4%	3.8%	-2.3%	-9.0%	N/A	7.7%
2 Working Capital Management								
a Gross Working Capital (Average Days)	168	330	N/A	106	368	1468	N/A	96
b Net Working Capital (Average Days)	109	257	32	71	314	1206	N/A	74
c Current Ratio (Total Current Assets/Total Current Liabilities)	2.1	3.3	2.1	2.4	6.3	4.3	2.0	2.1
3 Coverages								
a EBITDA / Finance Cost	1.0	1.5	0.0	2.5	2.2	1.6	-2.1	4.9
b FCFO / Finance Cost+CMLTB+Excess STB	0.9	0.8	-0.3	1.6	1.1	0.7	-0.6	1.7
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	-30.1	11.2	-6.0	2.6	4.2	11.4	-4.3	2.6
4 Capital Structure (Total Debt/Total Debt+Equity)								
a Total Borrowings / Total Borrowings+Equity	58.3%	68.5%	46.8%	44.3%	67.3%	70.0%	52.0%	44.7%
b Interest or Markup Payable (Days)	113.4	141.0	89.9	47.4	173.4	0.0	89.2	0.0
c Average Borrowing Rate	13.9%	8.7%	7.1%	18.8%	10.6%	7.3%	5.9%	7.6%

Credit Rating

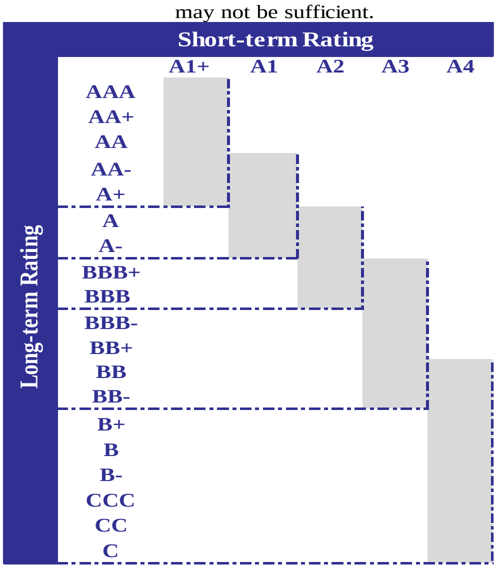
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

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