The Pakistan Credit Rating Agency Limited

Rating Report

Jadeed Feeds Industries (Pvt.) Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Feb-2024	A-	A2	Stable	Maintain	-
24-Feb-2023	A-	A2	Stable	Maintain	-
25-Feb-2022	A-	A2	Stable	Maintain	-
25-Mar-2021	A-	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan has the capacity to produce ~10mln MT of feed annually. The industry generates an annual turnover of ~PKR 827bln during FY23 from local sales to poultry farms. Currently, an uptick in poultry prices has improved the dynamics of poultry and poultry feed segments. The cost of soybean oilseed and maize has declined during FY23 owing to bumper crop in Brazil. While rupee depreciation made exports expensive for the local crusher; hence, meal cost posted an inflationary trend. Additionally, soybean prices are forecast to fall further in FY24 owing to improved global production levels of soybean seed. Despite increase in the feed and poultry product prices, the industry's margins remain stretched. However, the industry is able to manage its working capital cycle in a stable manner. Going forward, cashflows and liquidity are expected to remain stable. Going forward, the sector's performance is expected to remain rangebound, owing to the aforementioned factors. Nonetheless, there is a need for the sector players to shift to alternatives for soybean meal such as cotton seed, rapeseed, mustard seed, sunflower seed, and canola seed, which will serve to lower the sector's vulnerability to international prices & import restrictions.
The ratings reflect Jadeed Feed's association with Jadeed Group, a leading and integrated player in the poultry supply chain. The Group has a significant presence along the poultry supply chain as it imports and breeds grandparent poultry stock (Ross 308). The Company's current business line comprises three main products: poultry feed variants, poultry breeding stock, and day-old chicks. The Company's topline is dominated by poultry feed sales followed by poultry breeder stock and day old chick sales. Topline remains strong (FY23: PKR 65bln FY22: PKR 53bln) supported by increased prices. However, the Company's margins improved (FY23: ~10.6% FY22: ~9%). Inventory management system and related efficiencies are expected to keep the Company's working capital costs low. The financial risk profile is demonstrated by an adequate cash cycle to fund working capital needs, Coverages and capital structure (~57%) remain adequate. With the demise of the previous sponsor, Mr. Javaid, the succession planning was evident with the ownership being passed onto the next generation. Moreover, ownership structure remains stable with a further succession plan also in place.

The ratings are dependent on the management's ability to prudently manage liquidity and working capital requirements, and also to build profitable volumes and adherence to strong financial discipline remains critical for the ratings. Envisioned improvement in business and financial profile along with effective breeder stock and day-old chick sales, is also a crucial factor. Significant deterioration in coverages and/or margins will have a negative impact on the ratings.

Disclosure

Name of Rated Entity	Jadeed Feeds Industries (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Corporate Rating(Jul-23),Methodology | Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology | Rating Modifiers(Apr-23)
Related Research	Sector Study | Poultry Feed(Jan-24)
Rating Analysts	Muhammad Zain Ayaz | zain.ayaz@pacra.com | +92-42-35869504

Profile

Legal Structure Jadeed Feeds Industries (Pvt.) Limited ('Jadeed Feeds' or 'the Company') was incorporated in Jun-08 as a Private Limited Company as per the Company Act, 2017.

Background Mr. Javaid, along with his brothers, setup poultry business in 1980's. In 2005, the assets split and S.B. Feeds was renamed as Jadeed Farms. In 2008, the Group setup its first feed mill with a manufacturing capacity of 60MT per hour. In 2017, the Group setup its edible oil mill, as its backward integration plan. Lately, the Group increased its combined feed manufacturing capacity to 240MT per hour and merged Jadeed Farms and Jadeed GP Farms into Jadeed Feeds.

Operations The Company is primarily involved in manufacturing and selling variants of poultry feed, along with breeding grandparent stock (Ross -308) and selling poultry breeding stock and day-old chicks. The Company's feed mills have a combined capacity of 576,000MT per annum. Utilization levels posted a stable trend of ~49%. Breeding farms, located across Pakistan, are fully utilized. The Company's hatcheries, located in Kot Momin, have a utilization level of ~51% during FY23.

Ownership

Ownership Structure The Company is owned by the family of late Mr. Mian Muhammad Javaid. Majorly owned by his two sons, Mr. Shoaib Javaid and Mr. Safwan Javaid (~31% each). The remaining stake resides among Mr. Javaid's daughters, Ms. Maimoona Javaid and Ms. Fariha Javaid (~12% each) and his wife, Mrs. Shazia Javaid (~15%).

Stability A family-concentrated ownership structure brings stability with effective succession planning in place. With the demise of the previous sponsor, Mr. Javaid, the succession planning was evident with the ownership being passed onto the next generation. Moreover, ownership structure remains stable with a further succession plan also in place.

Business Acumen Jadeed Group has experienced multiple business cycles and have maintained their league since 2005. The Group is among the few players that imports and breeds Grand Parent stock and is among the highest GP chick producers in Pakistan.

Financial Strength The Group has substantial financial strength with a consolidated asset base of PKR ~40bln and an equity base of ~PKR 12bln as of FY23. Group's turnover and PAT stood at ~PKR 75bln and PKR 1.5bln, respectively, during FY23

Governance

Board Structure The Company's BoD comprises of five Directors from the sponsoring family, including two Executive and three Non Executive Directors. However, independent oversight and diversity is required for a streamlined governance structure.

Members' Profile The BoD members are very well equipped with the relevant business knowledge. Mr. Shoaib has lately become the CEO after Mr. Javaid death and has ~13 years of experience in poultry and allied chain. Mr. Safwan also have above a decade of experience and are actively managing operations.

Board Effectiveness The BoD is assisted by Board Audit Committee, comprising 5 members. The Committee is headed by Mr. Safwan and meets on quarterly basis. Minutes of the BoD and Committee meetings are adequately maintained.

Financial Transparency External auditors Muniff Ziauddin and Co. Chartered Accountants have expressed an unqualified opinion on the financial statements of the Company for year ended Jun-23. The firm has been QCR rated and is in category A of SBP's panel.

Management

Organizational Structure The Company operates through three functions: Production, Finance, Marketing and Sales. All functional managers' report to the CEO, who makes pertinent decisions.

Management Team The Company's management comprises of experienced professionals. Mr. Shoaib Javaid, Group's CEO, has significant experience and expertise in the poultry and feeds industry of around 13 years. The group CFO, Mr. Aamir Shahzad Mughal is an FCA and has an overall experience of 25 years.

Effectiveness Management's effectiveness and efficiency is ensured through the presence of Sales and Management committee setup at Group level. The Committee, comprising 5 members, is headed by the CEO. The Committee meets on need basis to manage and monitor pertinent business matters in timely manner.

MIS Customized software, installed by Sidat Hyder, is used at group. Standardized reports are generated as per requirement

Control Environment Internal Audit Function has been setup at Group level which ensures operational efficiency and implementation of policies and procedures of the Company.

Business Risk

Industry Dynamics Pakistan has the capacity to produce ~10mln MT of feed annually. During FY23,The industry generates an estimated annual turnover of ~PKR 800bln to ~PKR 850bln from local sales to poultry farms. Currently, an uptick in poultry prices has improved the dynamics of poultry and poultry feed segments. The cost of soybean oilseed and maize has seen a surge. During FY23, PKR depreciation made the import of seeds expensive for the local crusher; hence, meal costs also exhibited an inflationary trend. Despite increase in the feed and poultry product prices, industry's margins remain stretched. However, the industry is able to manage its working capital cycle in a stable manner. Going forward, cashflows and liquidity are expected to remain stable.

Relative Position Jadeed Feeds hold a market share of ~14% on revenue basis and ~5% on production basis. The Company is the only player in the industry that imports and breeds grandparent poultry stock (Ross - 308).

Revenues The Company generates revenue by selling variants of poultry feed (~74%), followed by birds and day-old chicks (~25%) and egg setting income (~1%). The Company's topline posted growth of ~24% and reported at ~PKR 66bln during FY23 (FY22: ~PKR 53bln) owing to significant increase in feed and poultry product prices. In 1QFY24, topline stood at PKR 17.5bln due to a significant increase in poultry product prices. Going forward, the revenues are expected to remain stable.

Margins During FY23, the Company's gross margin's posted an increase (FY23: ~10.6%, FY22: ~9%) due to the increase import cost of soybean seed. Moreover, pass on of the increased raw material cost is a timely process. Similarly, operational margins posted an increase due to trickle down effect (FY23: ~ 7.4%, FY22: ~6.2%). Net margins stood at ~2.5% (FY22: ~2.8%). During 1QFY24, gross margin stood at ~12.6%. Operational margin followed a similar trend (1QFY24: ~7.7%). Net profit margin resulted at 1QFY24 ~2.3%. Going forwards, margins are expected to shrink.

Sustainability The Company aims to optimize utilization of its production capacity along with keeping costs under control, going forward.

Financial Risk

Working Capital Inventory days improved (FY23: 45 days, FY22: 49 days) due to efficient selling of stock. Receivable days also improved (FY23: 15 days, FY22: 16 days) indicating timely payments received against receipts. Payable days stood at ~21 days in FY23 (FY22: ~15 days). As a result, net working capital improved (FY23: 38 days, FY22: 49 days). In 1QFY24, net working capital improved to 23 days due to efficient stock off-load. The Company has limited room to borrow against trade assets, only. Going forward, net working cycle is expected to remain stable.

Coverages Free cash flows increased (FY23:~PKR 6.3bln, FY22: ~PKR 3.6bln) due to improved profits. The Company's finance cost increased owing to high-interest rates. As a result, interest cover deteriorated (FY23: 2.8x, FY22: 3.5x). Similarly, core and total interest cover stood at 2.1x, each, as of FY23. In 1QFY24, free cash flows increased PKR 1,425 due to high profitability. Finance cost also increased due to high-interest rates. Resultantly, the interest cover reduced to 1.9x Core and total interest also reduce to 1.6x. Coverages are expected to remain stretched, going forward.

Capitalization Total debt of the Company stood at ~PKR 13bln as of FY23 (FY22: ~PKR 12bln) with an equity base of ~PKR 9bln (FY22: ~PKR 8bln). The equity is supported by better profits. Thus, the leverage ratio becomes adequate (FY23:~57%, FY22: ~60%). In 1QFY24, total debt stood at ~PKR 13bln with an equity base of ~PKR 10bln. Thus, the total leverage stood at ~55%. Going forward, leveraging is expected to improve.

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Financial Summary
PKR mln

Jadeed Feeds Industries (Pvt.) Limited	Sep-23	Jun-23	Dec-22	Jun-22	Dec-21	Jun-21	Jun-20
Poultry Feed	3M	12M	6M	12M	6M	12M	12M
A BALANCE SHEET							
1 Non-Current Assets	11,747	11,911	12,151	11,212	9,772	7,564	7,414
2 Investments	1	1	1	1	1	1	1
3 Related Party Exposure	1,001	1,001	1,001	1,001	1,012	1,012	373
4 Current Assets	19,283	18,375	15,628	13,349	12,965	9,072	10,760
a Inventories	*8,069*	*8,021*	*9,101*	*8,088*	*9,930*	*6,103*	*6,551*
b Trade Receivables	*2,374*	*2,338*	*3,278*	*2,955*	*1,486*	*1,617*	*2,538*
5 Total Assets	32,031	31,288	28,781	25,563	23,750	17,649	18,547
6 Current Liabilities	8,072	7,254	4,320	3,105	2,646	2,765	3,429
a Trade Payables	*6,526*	*5,527*	*2,936*	*2,138*	*2,259*	*2,280*	*2,747*
7 Borrowings	12,932	13,401	13,849	12,981	11,837	6,670	8,372
8 Related Party Exposure	-	-	-	-	-	-	-
9 Non-Current Liabilities	725	725	849	848	557	557	335
10 Net Assets	10,303	9,908	9,762	8,629	8,710	7,656	6,411
11 Shareholders' Equity	10,303	9,908	9,762	8,629	8,616	7,656	6,411
B INCOME STATEMENT							
1 Sales	17,530	65,952	35,019	53,297	22,247	37,878	27,279
a Cost of Good Sold	*(15,327)*	*(58,957)*	*(31,672)*	*(48,509)*	*(20,017)*	*(34,292)*	*(24,222)*
2 Gross Profit	2,203	6,994	3,347	4,788	2,230	3,586	3,057
a Operating Expenses	(849)	(2,129)	(1,112)	(1,483)	(522)	(1,121)	(959)
3 Operating Profit	1,355	4,865	2,235	3,305	1,709	2,465	2,098
a Non Operating Income or (Expense)	*44*	*19*	*(58)*	*(25)*	*60*	*(14)*	*8*
4 Profit or (Loss) before Interest and Tax	1,398	4,885	2,177	3,280	1,769	2,451	2,106
a Total Finance Cost	*(750)*	*(2,332)*	*(1,044)*	*(1,055)*	*(381)*	*(681)*	*(1,179)*
b Taxation	*(253)*	*(874)*	-	*(710)*	-	*(525)*	*(388)*
6 Net Income Or (Loss)	395	1,678	1,133	1,515	1,388	1,245	539
C CASH FLOW STATEMENT							
a Free Cash Flows from Operations (FCFO)	*1,425*	*6,396*	*2,448*	*3,698*	*1,804*	*2,854*	*2,981*
b Net Cash from Operating Activities before Working Capital Changes	*668*	*4,343*	*1,560*	*2,805*	*1,404*	*2,053*	*1,906*
c Changes in Working Capital	*149*	*(1,399)*	*(855)*	*(4,258)*	*(4,077)*	*2,061*	*(1,688)*
1 Net Cash provided by Operating Activities	816	2,945	705	(1,453)	(2,673)	4,114	218
2 Net Cash (Used in) or Available From Investing Activities	(376)	(2,894)	(1,987)	(4,482)	(2,624)	(2,109)	(1,816)
3 Net Cash (Used in) or Available From Financing Activities	(469)	(104)	1,225	5,905	5,167	(1,957)	1,697
4 Net Cash generated or (Used) during the period	(29)	(54)	(57)	(30)	(130)	47	99
D RATIO ANALYSIS							
1 Performance							
a Sales Growth (for the period)	6.3%	23.7%	31.4%	40.7%	17.5%	38.9%	0.0%
b Gross Profit Margin	12.6%	10.6%	9.6%	9.0%	10.0%	9.5%	11.2%
c Net Profit Margin	2.3%	2.5%	3.2%	2.8%	6.2%	3.3%	2.0%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	9.0%	7.6%	4.5%	-1.1%	-10.2%	13.0%	4.7%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sl*	15.7%	18.1%	24.6%	18.6%	34.1%	17.7%	8.4%
2 Working Capital Management							
a Gross Working Capital (Average Days)	54	59	61	64	78	81	122
b Net Working Capital (Average Days)	23	38	48	49	60	57	85
c Current Ratio (Current Assets / Current Liabilities)	2.4	2.5	3.6	4.3	4.9	3.3	3.1
3 Coverages							
a EBITDA / Finance Cost	2.9	3.0	2.7	4.3	4.9	4.6	2.8
b FCFO / Finance Cost+CMLTB+Excess STB	1.6	2.1	2.1	2.2	2.8	1.9	1.8
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	1.1	0.8	1.1	1.3	1.1	0.6	0.6
4 Capital Structure							
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	55.7%	57.5%	58.7%	60.1%	57.9%	46.6%	56.6%
b Interest or Markup Payable (Days)	65.8	85.8	74.4	92.9	50.8	57.4	70.6
c Entity Average Borrowing Rate	22.0%	17.1%	16.9%	10.3%	8.1%	8.0%	13.4%

Credit Rating

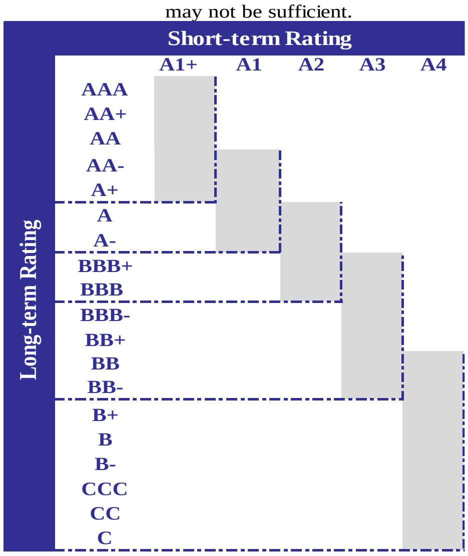
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

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):

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

Regulatory and Supplementary Disclosure
(Credit Rating Companies Regulations,2016)

Rating Team Statements
(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**
i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions
(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business
(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)

Probability of Default
(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

Proprietary Information