The Pakistan Credit Rating Agency Limited

Rating Report

Unicol Limited

Report Contents
1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
19-Mar-2021	A	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan's ethanol industry is largely export based owing to lower domestic usage. The Country's ethanol exports stood at USD 392mln in MY20, growing steeply by ~39%. Fluctuating yet inclining trend was witnessed in the global ethanol prices owing to spike in ethanol demand due to Covid-19 and closure of businesses worldwide. Devaluation of the Pakistani Rupee benefitted the industry players. The main raw material, molasses – a by-product in the sugarcane crushing process, accounts for approximately 80% of total cost of production. Average recovery rate of molasses (~4%) depends on the yield and quality of sugarcane crop. The average recovery rate of ethanol from molasses is around 19%. As sugarcane production has witnessed a declining trend during MY20 and the ongoing crushing season, cost of molasses experienced a significant incline. This has offset the impact of rise in ethanol prices, leading the domestic distilleries to post stable profits. Going forward, the industry's margins are expected to remain stable. Moreover, the industry players are expected to remain afloat with adequate cash flows and liquidity in the near-term.
The ratings reflect Unicol Limited's strong business profile emanating from robust margins and export oriented nature of ethanol industry. Additionally, the ratings draw strength from the Company's association with three strong business Groups: Ghulam Faruque Group, Amin Bawany Group and Hasham Group. The Company has a developed clientele in export market. Over time, Unicol has been able to enhance efficiency through consistently investing in BMR. This has yielded positive results while augmenting profitability and maintaining an upward trend. The Company has a moderately leveraged capital structure supplemented by strong coverages and healthy working capital cycle, which keeps financial risk moderate.

The ratings are dependent on the Company's ability to sustain its margins and healthy coverages while maintaining necessary cushion and discipline in working capital management. Amicably sustaining the relationship among shareholders remain crucial for the ratings. Significant deterioration in coverages will have a negative impact on ratings.

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

Profile

Legal Structure Unicol Limited (‘Unicol’ or ‘the Company’) is a public unlisted company, incorporated in 2003.

Background Unicol began its commercial operations in 2007. The distillery was setup as a joint venture among three sugar mills, namely, Faran Sugar Mills Ltd., Mehran Sugar Mills Ltd. and Mirpurkhas Sugar Mills Ltd. Later in 2014, Unicol also installed a Liquid Carbon Dioxide production plant. All the companies in JV agreement are listed on Pakistan Stock Exchange.

Operations Primary business activity of Unicol is to manufacture and sell ethanol and carbon dioxide. The Company has its plant located in Mirpurkhas, whereas, its head office is located on Beaumont Road, Karachi. The Company produces Anhydrous Ethanol (>99.9%), A-Grade Ethanol (>96%) and B Grade ethanol (>92%) with installed production standing at 160MT per day. Unicol produced 41,618MT of ethanol during MY20 (MY19: 52,314MT), with utilization of 74% (MY19: 93%). The Company also produces food-grade Liquid Carbon Dioxide of 99.9% purity level through sugarcane fermentation, with an installed production capacity of 72MT per day. Unicol produced 6,931MT of Liquid Carbon Dioxide during MY20 (MY19: 10,892MT), with utilization of 39% (MY19: 61%).

Ownership

Ownership Structure Unicol is a JV among three sugar mills, Faran Sugar, Mehran Sugar and Mirpurkhas Sugar, each holding an equal stake of ~33.33%.

Stability Ownership seems stable. The sponsoring groups, Ghulam Faruque, Amin Bawany and Hasham, have a strong standing in various segments of economy.

Business Acumen Ghulam Faruque, Amin Bawany and Hasham groups are ranked amongst the leading industrial groups of the country with diversified interests in cement, packaging, sugar, construction, renewable energy and consumer goods segments.

Financial Strength The companies in JV have strong financial strength derived from their operations. As at Sep-20, they had a cumulative assets base of PKR 16bln, supported by an equity base of PKR 7.6bln, with PKR 5.4bln debt. They generated revenue of PKR 17bln, while posted a cumulating loss of PKR 240mln during Sep-20.

Governance

Board Structure Board of Directors comprises 7 members. There are 5 Non-Executive Directors, 1 Chief Executive and 1 Independent Director on the BoD. The three sponsoring companies have equal representation on the Company's Board.

Members’ Profile The Company’s Board comprises experienced individuals. Mr. Asif Qadir, Chairman of the Board, is an Independent Director. He has an overall experience of more than 4 decades and is also on the Board of Cherat Cement Ltd., Descon Oxychem Ltd., TriPack Films Ltd., Thal Ltd. and Liaqat National Hospital.

Board Effectiveness During MY20, four Board meeting were convened among members with meeting minutes being captured formally. The Board is assisted by Board Audit Committee, which is chaired by Mr. Asif Qadir. The Committee met four times during MY20.

Financial Transparency The Company has appointed EY Ford Rhodes as its external auditors. The firm has expressed an unqualified opinion on the financial statements of the Company for the year ended Sept-20. The firm has been appointed as the Company’s auditor since inception.

Management

Organizational Structure The Company’s organizational structure reflects clear reporting lines and is split between the production site and head office. The Company operates through seven functions; namely, operations, procurement, sales & marketing, finance, IT, internal audit and HR. All functional heads reports to the Company's CEO, who then reports to the BoD. However, HR, IT, procurement and internal audit functions are shared at the group level.

Management Team Management comprises experienced individuals. Mr. Aslam Faruque, CEO, has more than 25 years experience in sugar & ethanol industry. He's also CEO of Mirpurkhas Sugar Mills Ltd. He is supported by Mr. Mustapha Qaisar (COO), Mr. Saad Ali Khawaja (CFO) and Mr. M. Asad Siddiqui (Company Secretary).

Effectiveness Performance is discussed among the Directors on a weekly basis to review activity and operations. However, the Company has no formal management committees in place.

MIS The Company uses SAP software, installed and managed by a Group company, Zensoft Pvt. Ltd. Reports are submitted to senior management as per requirement.

Control Environment Internal audit function is placed at group level. It ensures compliance and efficiency by quarterly evaluations while reporting to Audit Committee.

Business Risk

Industry Dynamics Pakistan’s ethanol industry is largely export based owing to lower domestic usage. The Country’s ethanol exports stood at USD 392mln in MY20, growing steeply by ~39%. Fluctuating yet inclining trend was witnessed in the global ethanol prices owing to spike in ethanol demand due to Covid-19 and closure of businesses worldwide. Devaluation of the Pakistani Rupee benefitted the industry players. The main raw material, molasses – a by-product in the sugarcane crushing process, accounts for approximately 80% of total cost of production. Average recovery rate of molasses (~4%) depends on the yield and quality of sugarcane crop. Average recovery rate of ethanol from molasses is around 19%. As sugarcane production has witnessed a declining trend during MY20 and the ongoing crushing season, cost of molasses experienced a significant incline. This has offset the impact of rise in ethanol prices, leading the distilleries to post stable profits.

Relative Position According to its production capacity, Unicol has a market share ~5%, whereas ~7% in terms of ethanol produced during MY20.

Revenues The Company mainly generates revenue by producing and exporting ethanol (~98%), followed by production and domestic sales of liquid carbon dioxide (~2%). Positive trend in the Company's revenues has been maintained since 2007. During MY20, revenue stood at ~PKR 5.8bln (MY19: PKR 5.5bln), posting a surge of ~6%. The growth in revenue was primarily due to 51% higher ethanol prices in international market, due to significant increase in demand for ethanol amid Covid-19. Moreover, depreciation of Pak Rupee contributed in the increase of revenues. During 1QMY21, sales posted a surge of 36% (1QMY21: PKR 1.97bln, 1QMY20: PKR 1.4bln) on the back of rise in ethanol prices.

Margins The Company experienced a dip in gross margins during MY20 (MY20: 19%, MY19: 31%) due to 61% increase in average price of molasses on back of lower availability of cane and rise in demand of molasses. Gross profit stood at PKR 1,120mln during MY20 (MY19: PKR 1,704mln). Operating margin posted a decrease (MY20: 13%, MY19: 24%) due to a trickledown effect, despite lower admin and selling expenses. Unicol posted a net income of PKR 524mln (MY19: PKR 1,110mln), and a net margin (MY20: 9%, MY19: 20%). During 1QMY21, gross margins increased to 27% (1QMY20: 23%). Net margin increased to 20% (1QMY20: 13%).

Sustainability The Company has no major expansion activities planned, with its main focus is to improve efficiency through BMR and enhance capacity utilization. Moreover, the management has no plans to obtain further loans.

Financial Risk

Working Capital Seasonality posts an inherent stress on the Company's working capital cycle. During MY20, the Company was able to improve net working capital days to 64 (MY19: 73 days), due to lower inventory and trade receivable days. Inventory days improved marginally to 64 in MY20 (MY19: 67 days). Receivable days improved to 3, (MY19: 11 days) due to better credit recovery policies. Payable days reduced further to 3 during MY20 (MY19: 5 days). During 1QMY21, the Company witnessed a deterioration in net working capital days (1QMY21: 65 days, 1QMY20: 43 days) owing to high stocks accumulated during the crushing season. On the other hand, prudent management of short-term lines was reflected in an improved room to borrow. Going forward, working capital cycle is expected to remain moderate.

Coverages Unicol’s coverages are a function of free cashflows and finance costs. The Company’s profitability has declined over the year, and the resulting cashflows. FCFO stood at PKR 916mln during MY20 (MY19: 1,462mln), posting a decrease of 37%. Higher utilization levels of short term borrowings led to dip in the interest cover (MY20: 7.7x, MY19: 16.6x). Similarly, core and total coverages also posted a dip (MY20: 4.9x, MY19: 5.9x). In 1QMY21, the Company improved its interest cover (1QMY21:21.1x, 1QMY20: 10.8x). Similarly, core and total cover posted an improvement. This was supported by higher FCFO and reduced finance cost due to lower interest rates. Coverages are expected to remain strong.

Capitalization The Company has a moderately leveraged capital structure represented by a debt-to-equity ratio of ~40% in MY20 (MY19: 36%). Total debt during MY20 stood at PKR 2,190mln (MY19: PKR 1,944mln), comprising 91% of short term debt to fund the working capital requirements. The Company obtained long term debt for installation of LCO2 plant and storage tanks, outstanding at PKR 195mln in MY20 (MY19: PKR 311mln). However, low-cost borrowing, Export Refinance Facility from SBP, benefits the Company. During 1QMY21, total debt increased to PKR 2,749mln (1QMY20: PKR 2,235mln) as a result of increased short term debt during the ongoing crushing season. Resultantly, debt-to-equity deteriorated to 45% in 1QMY21 (1QMY20: 39%). Going forward, leveraging is expected to remain moderate.

The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

Unicol Limited	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Sep-18
Sugar	3M	12M	9M	6M	3M	12M	12M
A BALANCE SHEET							
1 Non-Current Assets	2,556	2,590	2,608	2,668	2,714	2,767	2,825
2 Investments	460	16	16	16	416	16	16
3 Related Party Exposure	37	30	114	87	648	544	-
4 Current Assets	3,675	3,065	3,541	3,650	2,524	2,542	2,397
a Inventories	*1,618*	*1,229*	*1,923*	*2,360*	*382*	*824*	*1,199*
b Trade Receivables	*59*	*15*	*250*	*163*	*178*	*66*	*259*
5 Total Assets	6,728	5,701	6,278	6,421	6,303	5,869	5,238
6 Current Liabilities	552	281	247	402	511	394	330
a Trade Payables	*85*	*41*	*35*	*61*	*79*	*62*	*78*
7 Borrowings	2,749	2,190	2,534	2,623	2,235	1,944	1,812
8 Related Party Exposure	-	-	-	-	-	-	-
9 Non-Current Liabilities	-	-	-	-	-	-	-
10 Net Assets	3,427	3,230	3,497	3,396	3,557	3,531	3,096
11 Shareholders' Equity	3,427	3,230	3,497	3,396	3,557	3,531	3,096
B INCOME STATEMENT							
1 Sales	1,973	5,823	4,698	2,942	1,388	5,502	5,168
a Cost of Good Sold	*(1,438)*	*(4,703)*	*(3,803)*	*(2,459)*	*(1,066)*	*(3,797)*	*(3,371)*
2 Gross Profit	535	1,120	895	483	322	1,704	1,797
a Operating Expenses	(74)	(348)	(285)	(205)	(87)	(393)	(369)
3 Operating Profit	461	772	611	278	235	1,311	1,428
a Non Operating Income or (Expense)	*(31)*	*(60)*	*(41)*	*(13)*	*(16)*	*(45)*	*(74)*
4 Profit or (Loss) before Interest and Tax	429	713	569	264	219	1,266	1,354
a Total Finance Cost	*(24)*	*(130)*	*(106)*	*(69)*	*(29)*	*(100)*	*(117)*
b Taxation	*(20)*	*(59)*	*(48)*	*(30)*	*(14)*	*(57)*	*(23)*
6 Net Income Or (Loss)	385	524	416	165	176	1,110	1,214
C CASH FLOW STATEMENT							
a Free Cash Flows from Operations (FCFO)	*470*	*916*	*720*	*364*	*273*	*1,462*	*1,580*
b Net Cash from Operating Activities before Working Capital	*444*	*788*	*627*	*308*	*253*	*1,363*	*1,461*
c Changes in Working Capital	*(303)*	*(16)*	*(447)*	*(627)*	*137*	*(550)*	*147*
1 Net Cash provided by Operating Activities	141	772	180	(318)	391	813	1,608
2 Net Cash (Used in) or Available From Investing Activities	(471)	(89)	(37)	(32)	(413)	(212)	(219)
3 Net Cash (Used in) or Available From Financing Activities	371	(578)	141	379	142	(544)	(1,342)
4 Net Cash generated or (Used) during the period	41	105	284	29	119	58	48
D RATIO ANALYSIS							
1 Performance							
a Sales Growth (for the period)	35.5%	5.8%	13.9%	7.0%	0.9%	6.5%	16.0%
b Gross Profit Margin	27.1%	19.2%	19.1%	16.4%	23.2%	31.0%	34.8%
c Net Profit Margin	19.5%	9.0%	8.9%	5.6%	12.7%	20.2%	23.5%
d Cash Conversion Efficiency (FCFO adjusted for Working C	8.4%	15.5%	5.8%	-8.9%	29.6%	16.6%	33.4%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Ti*	46.3%	15.5%	15.8%	9.5%	19.9%	33.5%	39.2%
2 Working Capital Management							
a Gross Working Capital (Average Days)	68	67	89	106	48	78	87
b Net Working Capital (Average Days)	65	64	86	102	43	73	82
c Current Ratio (Current Assets / Current Liabilities)	6.7	10.9	14.3	9.1	4.9	6.4	7.3
3 Coverages							
a EBITDA / Finance Cost	22.0	8.2	8.2	6.4	11.3	17.5	15.2
b FCFO / Finance Cost+CMLTB+Excess STB	12.9	4.9	6.9	4.9	4.4	5.9	3.6
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fi	0.1	0.2	0.2	0.3	0.3	0.2	0.4
4 Capital Structure							
a Total Borrowings / (Total Borrowings+Shareholders' Equity	44.5%	40.4%	42.0%	43.6%	38.6%	35.5%	36.9%
b Interest or Markup Payable (Days)	90.0	70.9	100.4	103.4	108.9	88.5	69.2
c Entity Average Borrowing Rate	3.6%	5.2%	5.3%	5.4%	4.8%	4.7%	5.9%

Credit Rating

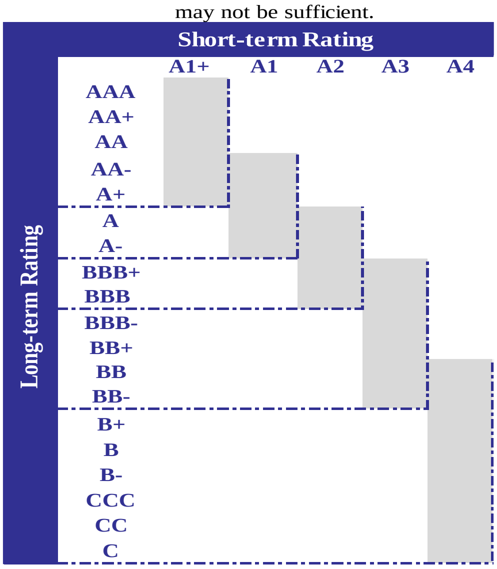
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

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