The Pakistan Credit Rating Agency Limited

Rating Report

Inbox Business Technologies Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Nov-2021	BBB+	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan’s tech industry contributes ~1% to national GDP through local and export sales. Export of IT services are estimated to contribute ~ $ 1.7bln to the GDP. The largest contributor remains IT consultancy (~33%), followed by software exports (~25%). The industry comprises ~ 7000 companies providing customized software development services and Business Process Outsourcing (BPO) services. Lately, the Government and regulatory bodies have taken initiatives such as the establishment of IT Parks and incubators to promote the industry and provide an enabling ecosystem for businesses and start-ups.
The ratings reflect Inbox Business Technologies Ltd.'s ('Inbox' or 'the Company') association with a strong business Group; Dawood Hercules Group. The product slate comprises of Enterprise Management Service (EMS), Digital Security and Intelligence (DSI), and Citizen Services and Customer Experience (CSX) in both, public and private sectors. EMS consists of providing customer support, IT outsourcing, warranty, remote assistance, and maintenance services. DSI includes Web Management Services (WMS), which is technical facility deployed on internet gateways in Pakistan, to detect and block illegal international voice calls and manage internet traffic. Whereas, CSX involves the provision of IT related services to the public sector. Inbox has a competitive edge in the industry, as it provides IT solution and services. In the previous years, consistent accumulated losses due to prolonged receivables cycle and inefficient working capital management impacted the financial risk profile. However, lately, the Company's topline and in turn margins experienced growth on the back of renewal of public sector contracts. This also benefitted the Company's bottom line. The Company's financial risk profile is characterized by stretched coverages and an elongated working capital cycle. Leveraged capital cycle is lately supplemented by sponsor's loan.

The ratings are dependent on the Company's ability to sustain its margins and post healthy coverages while maintaining requisite cushion and working capital discipline. Continued sponsor support remains imperative for ratings. Any further deterioration in cashflows and/or coverages will have a negative impact on ratings.

Disclosure	
Name of Rated Entity	Inbox Business Technologies Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Corporate Rating(Jun-21),Criteria | Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria | Rating Modifiers(Jun-21)
Related Research	Sector Study | Technology(May-21)
Rating Analysts	Shayan Farooq | shayan.farooq@pacra.com | +92-42-35869504

Profile

Legal Structure Inbox Business Technologies Limited ('Inbox' or 'the Company') is a public unlisted company, incorporated in 2001.

Background In 2001, Inbox started as a local assembler of computers in Pakistan by Mr. Ghias Khan (CEO of Engro Corporation) along with his friends, Mr. Mir. Nasir and Mr. M. Ali. In 2004, 51% stake was acquired through companies with common directorship and ownership of Mr. Hussain Dawood & family. The Company transitioned from assemblers to system integrators in 2007. In 2009, the Company started providing managed services. Digital services were introduced in 2014, offering customized processes, managed services infrastructure, and technology alliances. During 2019, 100% of the stake was acquired by Mr. Hussain Dawood & family.

Operations Primary business activity of the Company is to provide essential IT services, and technology-oriented solutions such as IT service management, IT operations management, remote management and digital content management. It also provides digital solutions from cyber security to asset management. The Company has two Security Operating Centers, one in Islamabad and the other in Karachi.

Ownership

Ownership Structure 99.9% shareholding of the Company reside with Patek Pvt. Limited, a holding investment company. Patek Pvt. Limited is wholly owned by Mr. Hussain Dawood & family.

Stability Ownership of the Company seems stable. The sponsoring Group, Dawood Hercules, has a strong and diversified standing in various segments of the economy.

Business Acumen Dawood Group is a conglomerate with over three generations of experience in commercial and social enterprises. Currently, the Group has interests in various sectors of the economy. Strong affiliation and technical track record with international JVs have added to the success of the companies within the Group.

Financial Strength The Company derives strength from strong footings of the sponsoring Group. As of Dec-20, Patek Pvt. Ltd. has total assets worth of ~ PKR 14bln.

Governance

Board Structure The Board comprises 7 members including the Chairman. All BoD members are Non-Executive Directors, representing the sponsoring Group.

Members' Profile Mr. Arif Janjua, Chairman of the Board and a non-executive member, has an overall experience of more than 35 years in operational management and consulting in the software, mobile, and internet services industry. He is also the senior advisor to the DH Corporation's Board, leading their technology initiatives.

Board Effectiveness During CY21, four Board meeting were convened. Majority attendance was observed in BoD meetings. Minutes of these BoD meetings were formally documented and adequately captured the discussion during the sessions. The BoD is assisted by two sub-committees, namely Audit and HR & Remuneration Committees, Chaired by Mr. Shafiq Ahmed and Mr. Imran Sayeed, respectively.

Financial Transparency The Company's external auditors, Mazars Chartered Accountants, have expressed an unqualified opinion on the financial statements for the year ended Dec-20. The firm is QCR rated and is in SBP's category 'C' panel of auditors. Previously, the Company was audited by EY Ford Rhodes & Co.

Management

Organizational Structure The Company's organizational structure reflects clear reporting lines and is split between operations, specialized projects, finance, HR, legal, and business development. Each function is monitored by the respective director or head of department, who reports to the CEO. CEO reports to the Company's BoD. However, Head of Internal Audit department functionally reports to the BoD Audit Committee, and administratively to the CEO.

Management Team The Company's management comprises experienced and qualified individuals. Mr. Mohsin Ali, the CEO, has more than 20 years of experience in the technology industry and has been a part of Inbox since 2004. Mr. Kamran Hanif, the CFO, is an ACA and is associated with the Company since Aug-20. He is associated with DH Corp since 2017 as Financial Controller.

Effectiveness The Company has no management committees in place. However, policies, procedures and key performance parameters are discussed among senior management regularly to review activity. Whereas, monthly reports are shared with the BoD regarding the projects' status.

MIS The Company has deployed Oracle R-12 as its Enterprise Resource Planning (ERP) system.

Control Environment Oversight and effective management is maintained through the internal audit department. The department monitors various functions and internal controls of the Company, and reports to the Board's Audit Committee.

Business Risk

Industry Dynamics Pakistan's tech industry contributes ~1% to national GDP with a market size of ~ PKR 437bln as of FY21 (FY20: PKR~362bln) through local and export sales. Local IT products and services are estimated to generate ~ PKR 170bln in FY21 (FY20: ~ PKR 187bln). While exports increased to ~ PKR 267bln (FY20: ~ PKR 175bln). The largest contributor remains IT consultancy (~33%), followed by software exports (~25%). The industry comprises ~ 7000 companies providing customized software development services and Business Process Outsourcing (BPO) services. Lately, the Government and regulatory bodies have taken initiatives such as the establishment of IT Parks and incubators to promote the industry and provide an enabling ecosystem for businesses and start-ups.

Relative Position According to total revenue generated by the tech industry, Inbox has a market share of less than ~1%.

Revenues Inbox sources its revenue from three different streams: Enterprise Management Services (EMS) ~5%, Digital Security and Intelligence (DSI) ~33%, and Citizen Services and Customer Experience (CSX) ~ 62%. Sales revenue during 3QCY21 stood at ~PKR 2.9bln (3QCY20: PKR 1.8bln), surging by ~58% over the preceding period. The growth was primarily supported by ~ 42% higher CSX revenue recognized by the Company,

Margins The Company experienced a surge in gross margins during 3QCY21 (3QCY21: 24%, 3QCY20: 12%) on the back of higher contract renewals of solution-based sales, which require less new personnel. Gross profit stood at PKR 676mln during 3QCY21, from PKR 218mln in 3QCY20. Finance cost dipped to PKR 241mln in 3QCY21, from PKR 407mln in 3QCY20, due to lower short-term borrowings. Hence, Inbox posted a net income of PKR 184mln (3QCY20: PKR -472mln), translating into an improved net margin (3QCY21: 6%, 3QCY20: -26%).

Sustainability The Company has no major expansion activities planned, rather its main focus is to improve its clientele towards private contracts, instead of government. Moreover, the management has no plans of obtaining further long-term loans and will aim to sustain profitability for the next couple of years.

Financial Risk

Working Capital The working capital cycle consists of holding finished goods inventory of smart cards for vehicle registration (Punjab and Sindh). Whereas the receivables are due from the government (~ 60%) and private contracts (~ 40%). During 3QCY21, the Company was able to improve net working capital days to 63 (3QCY20: 112 days), on the back of lower average inventory days (3QCY21: 10 days, 3QCY20: 37 days) and trade receivable days (3QCY21: 100 days, 3QCY20: 108 days). Resultantly, short term total leverage also posted an improvement, though remained negative (3QCY21: -26%, 3QCY20: -54%).

Coverages Inbox's coverages are a function of free cashflows and finance costs incurred. The Company has turned profitable over the years. However, the FCFO reduced to PKR 140mln during 3QCY21 (3QCY20: PKR 478mln), on the back of lower depreciation charge on servers and licenses during the period (3QCY21: PKR 115mln, 3QCY20: PKR 552mln). Finance cost dipped to PKR 241mln during 3QCY21 (3QCY20: PKR 407mln) due to lower short-term borrowings (3QCY21: PKR 370mln, 3QCY20: PKR 2bln). As a result, interest coverage dipped to 0.6x (3QCY20: 1.2x) and total coverage to 0.1x (3QCY20: 0.3x).

Capitalization The Company has a highly leveraged capital structure as debt-to-equity ratio stands at ~78% as at 3QCY21 (3QCY20: 97%). This is a result of accumulated losses (3QCY21: PKR 2.6bln, 3QCY20: PKR 1.7bln) in the previous years, which reduced the equity figure on the balance sheet (3QCY21: PKR 465mln, 3QCY20: PKR 86mln). In Dec-20, Patek Pvt. Limited injected PKR 1.7bln as a subordinated loan, leading to an improved equity position. Total debt during 3QCY21 stood at PKR 1.7bln (3QCY20: PKR 3.1bln) and registered a decline over the preceding period. Long-term loan has been obtained for Web Management Service project, stands at PKR 1,290mln (3QCY20: PKR 958mln). The Company also utilized PKR 370mln (3QCY20: PKR 2bln) of short-term running finance facility to finance working capital requirements.

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Financial Summary
PKR mln

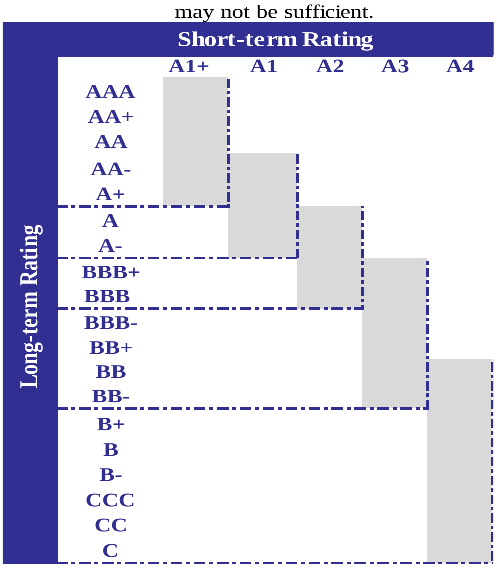
Inbox Business Technologies Limited Technology	Sep-21 9M	Jun-21 6M	Mar-21 3M	Dec-20 12M	Sep-20 9M	Jun-20 6M	Mar-20 3M	Dec-19 12M	Dec-18 12M
A BALANCE SHEET									
1 Non-Current Assets	2,575	847	1,222	1,428	2,071	2,232	1,916	2,004	1,122
2 Investments	-	-	-	-	-	-	-	-	-
3 Related Party Exposure	-	1	165	-	164	159	208	158	101
4 Current Assets	3,140	3,736	2,020	1,759	2,154	2,339	3,084	2,101	3,389
a Inventories	*126*	*151*	*73*	*89*	*343*	*406*	*354*	*151*	*482*
b Trade Receivables	*1,244*	*1,035*	*920*	*749*	*819*	*812*	*1,397*	*609*	*1,791*
5 Total Assets	5,715	4,584	3,407	3,187	4,389	4,731	5,207	4,262	4,613
6 Current Liabilities	3,584	3,141	1,464	1,523	1,227	1,255	1,181	1,323	1,367
a Trade Payables	*444*	*507*	*301*	*455*	*171*	*210*	*188*	*259*	*416*
7 Borrowings	1,660	1,078	1,272	1,358	3,051	3,246	2,979	3,362	2,365
8 Related Party Exposure	-	-	-	-	-	-	-	-	-
9 Non-Current Liabilities	5	5	25	25	25	25	25	25	-
10 Net Assets	465	361	645	281	86	204	1,021	(448)	881
11 Shareholders' Equity	465	361	645	281	86	204	1,021	(448)	881
B INCOME STATEMENT									
1 Sales	2,858	2,197	961	2,871	1,816	1,056	593	2,883	2,482
a Cost of Good Sold	*(2,182)*	*(1,736)*	*(723)*	*(2,588)*	*(1,597)*	*(1,026)*	*(505)*	*(2,210)*	*(1,629)*
2 Gross Profit	676	461	238	283	218	30	89	673	854
a Operating Expenses	(235)	(190)	(91)	(275)	(232)	(165)	(86)	(359)	(361)
3 Operating Profit	442	271	147	8	(14)	(135)	3	314	493
a Non Operating Income or (Expense)	*55*	*47*	*(37)*	*(238)*	*4*	*8*	*6*	*(1,029)*	*(321)*
4 Profit or (Loss) before Interest and Tax	496	318	110	(230)	(10)	(127)	9	(715)	172
a Total Finance Cost	*(241)*	*(184)*	*(82)*	*(511)*	*(407)*	*(303)*	*(161)*	*(529)*	*(365)*
b Taxation	*(71)*	*(52)*	*(23)*	*(200)*	*(54)*	*(35)*	*(19)*	*(36)*	*(59)*
6 Net Income Or (Loss)	184	83	5	(941)	(472)	(464)	(171)	(1,280)	(252)
C CASH FLOW STATEMENT									
a Free Cash Flows from Operations (FCFO)	*140*	*672*	*28*	*633*	*478*	*(429)*	*(152)*	*344*	*411*
b Net Cash from Operating Activities before Working Capital	*140*	*557*	*28*	*79*	*62*	*(429)*	*(152)*	*(86)*	*103*
c Changes in Working Capital	-	*1,069*	*168*	*551*	*141*	-	-	*732*	*(399)*
1 Net Cash provided by Operating Activities	140	1,626	196	630	203	(429)	(152)	646	(296)
2 Net Cash (Used in) or Available From Investing Activities	230	1	9	(384)	(307)	-	-	(1,050)	(415)
3 Net Cash (Used in) or Available From Financing Activities	(71)	(305)	(155)	(1,007)	(311)	-	-	815	2,746
4 Net Cash generated or (Used) during the period	299	1,322	50	(761)	(415)	(429)	(152)	411	2,036
D RATIO ANALYSIS									
1 Performance									
a Sales Growth (for the period)	32.7%	53.0%	33.8%	-0.4%	-16.0%	-26.7%	-17.7%	16.1%	--
b Gross Profit Margin	23.7%	21.0%	24.7%	9.9%	12.0%	2.8%	14.9%	23.3%	34.4%
c Net Profit Margin	6.4%	3.8%	0.5%	-32.8%	-26.0%	-43.9%	-28.8%	-44.4%	-10.1%
d Cash Conversion Efficiency (FCFO adjusted for Working C	4.9%	79.3%	20.4%	41.2%	34.1%	-40.7%	-25.6%	37.3%	0.5%
*e Return on Equity [Net Profit Margin * Asset Turnover * (T*	65.7%	51.5%	4.4%	565.9%	173.8%	381.7%	-119.2%	-590.6%	-28.6%
2 Working Capital Management									
a Gross Working Capital (Average Days)	106	84	87	102	145	177	198	209	304
b Net Working Capital (Average Days)	63	44	51	56	112	136	164	167	243
c Current Ratio (Current Assets / Current Liabilities)	0.9	1.2	1.4	1.2	1.8	1.9	2.6	1.6	2.5
3 Coverages									
a EBITDA / Finance Cost	0.6	4.9	0.4	1.7	1.4	-1.4	-1.0	0.9	1.5
b FCFO / Finance Cost+CMLTB+Excess STB	0.1	1.9	0.2	0.6	0.3	-0.4	-0.5	0.1	0.8
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fi	-16.5	0.7	-4.0	8.3	20.0	-1.5	-0.9	-14.9	4.0
4 Capital Structure									
a Total Borrowings / (Total Borrowings+Shareholders' Equit	78.1%	74.9%	66.4%	82.8%	97.3%	94.1%	74.5%	115.4%	72.9%
b Interest or Markup Payable (Days)	325.0	245.8	246.1	130.1	144.9	160.0	111.3	154.9	136.0
c Entity Average Borrowing Rate	18.7%	17.9%	13.1%	17.8%	16.8%	18.6%	19.9%	18.1%	13.7%

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

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(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.
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(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)
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(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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