



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Corp Limited | PP Sukuk

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
30-Nov-2021	AA-	-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The ratings encapsulate the strength of the security structure of Privately Placed Islamic Certificates (Sukuk). Sukuk has a multi-layered protection mechanism which provides intrinsic mitigation against unforeseen risk. Sukuk is secured against shares of TPL Properties and shares of TPL Trakker with initial margin maintained at 50% while the Company is required to maintain at least 30% at all times. The Company will establish and maintain the Debt Payment Accounts (DPA). The DPA will be held under exclusive lien for the benefit of the Participating Institution(s). DPA will be funded by the dividends from group companies, proceeds from the sale of Sponsor shares in TPL Trakker and Right share issuance of the Company. The cash entrapment threshold for the proceeds from the sale of shares of TPL Trakker is two upcoming installments. Similarly, the cash entrapment threshold for the proceeds from Right Share issuance is three upcoming installments. The security structure of the instrument is further beefed up by the takaful guarantee which is indeed the first resort for the issue agent in case of non-payment risk is about to materialize. This covers the first quarterly profit payments of upto c. PKR 75 mln each quarter. As last resort, the issue agent has the right to liquidate the shares, in case, before the payment date, DPA is not funded. In case the issuer does not build the requisite amount of upcoming installment in DPA on the desired date, the issue agent would initiate the process for realization of underlying security on immediate basis. First call for realization would be made for encashment of takaful Guarantee. In case the proceeds from insurance company does not fall through within the pre-agreed timeframe or there is some degree of shortfall, the Trustee would initiate the process for realization of appropriate quantum of under-lien shares. This event would initiate a cure period, without invoking the event of default, to manage all modalities and transfer of installment in DPA in a timely manner. Maximum length of the cure period can be 15 days. The cure period availed would attract mark-up at the rate of 3M KIBOR + 250bps.

The ratings further depend on the projected performance of existing strategic investments. The investment portfolio of TPL Corp Limited is diverse and some of the investments are anticipated to yield dividends as well.

Disclosure

Name of Rated Entity	TPL Corp Limited PP Sukuk
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Debt Instrument Rating(Jun-21),Methodology Holding Company Rating(Jun-21),Criteria Rating Modifiers(Jun-21)
Related Research	Sector Study Holding Company(Aug-21)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Issuer Profile

Profile In Dec-08, TPL Trakker Ltd. was incorporated as a private limited company under the repealed Companies Ordinance 1984 (now Companies Act, 2017). TPL Trakker Ltd. was converted into public company in 2009 and got listed on the Pakistan Stock Exchange Limited in Jul-12. TPL Trakker was renamed to TPL Corp Limited ("TPL Corp" or "the Company") w.e.f. November 24, 2017. TPL Corp is the Investment Holding Company of TPL Group, with the principal activity to make investments in Group and other companies. Currently, the Company holds investment across insurance, tracking, real estate, security, navigation, mapping solutions, fintech, and financial sectors through its various subsidiaries.

Ownership TPL Holdings (Private) Limited holds major stake of ~62% in TPL Corp. Meanwhile, ~6% of shares of the Company are held by financial institutions. Rest of the ownership resides with local and foreign individuals. The Company has a free float of ~38%. Ownership is seen as stable as sponsor's respective holding in the Company is through its corporate entity, TPL Holdings (Private) Limited. The ultimate sponsors possess strong knowledge in technology, investments and financial sector. TPL Holdings (Private) Limited's main investments are consolidated in TPL Corp.

Governance The Company's Board comprises eight Directors of which two are Independent Directors, four Non-Executive Directors, and two Executive Director. Two Directors are nominees of TPL Holdings (Private) Limited. Mr. Jameel Yusuf chairs the Board. The Board members include finance, marketing, business experts and respected retired armed forces personnel. The Board has two committees - Audit and HR & Remuneration Committee - to assist in governing the affairs of the Company. Both committees are chaired by Mr. Nadeem Arshad Elahi - an Independent Director. M/s EY Ford Rhodes & Co., Chartered Accountants, the external auditors, have issued an unqualified audit report for financial year ended Jun-21.

Management TPL Corp functions as a Holding Company. The Company has instituted a well-designed organizational structure, which is divided across various functional divisions and is headed by the CEO. TPL Corp has seven subsidiaries with each of the subsidiary having its own CEO reporting directly to the Group CEO, Mr. Ali Jameel. The subsidiaries have independent operational roles and reporting lines for the purpose of performance oversight. However, legal and IT functions are centralized at the Group level. While HR and Finance functions at the Group level provide holistic guidance and a wide range operating platform to the corresponding division at the subsidiaries. Mr. Ali Jameel, the CEO, is a seasoned professional with about two decades of experience. Management team's long association with the group bodes well for the overall growth. TPL Corp practices a fortnightly performance review meetings attended by respective department heads. The Company maintains strong IT infrastructure and monitoring by deploying Oracle E-Business Suit as ERP solution. Two Oracle modules are operational. TPL Corp continues to invest in technology to ensure efficient monitoring to strengthen the internal processes of the Company. TPL Corp has an Internal Audit Department at the Group level that reports to the Chairman of the Board Audit Committee.

Business Risk TPL Corp traces its roots to its stake in the pioneer GPS tracker in Pakistan, through a wholly-owned subsidiary, TPL Trakker. It holds around 42% market share in the tracking and fleet management industry. The Company's subsidiaries in the insurance industry occupy a prominent place with TPL Life and TPL Insurance. TPL Insurance is a medium-sized company with a ~ 3% market share. On the other hand, TPL Life Insurance is a small-sized life insurer with a market share of less than 1%. The Company's standalone income comprises dividends from its subsidiaries. During FY21, the Company received a dividend income of ~PKR 114mln from TPL Properties Limited. The Company's profitability remained under pressure in FY21. Despite the dividends and the decline in finance cost to ~PKR 207mln in FY21 (FY20: ~PKR 325mln), the Company posted a net loss of ~PKR 272mln (FY20: ~PKR 420mln) on account of increased administrative expenses. All subsidiaries, excluding TPL Insurance, are currently in growth mode. Going forward, funds generated are expected to be utilized internally.

Financial Risk The Company has obtained a short-term loan facility of ~PKR 200mln with a mark-up of 6 month KIBOR plus 1% per annum as at 1QFY22 to meet the financing requirement of its subsidiary. At present, stability in the debt mix of the Company gives rise to sufficient room to borrow. TPL Corp is experiencing stressed coverages (FY21: -0.1x, FY20: -0.2x) due to no dividend income and consequently negative FCFO from operations. The Company's coverages may come under pressure with new debt financing if matching cashflows are not realized. TPL has a moderately leveraged capital structure (~21%) in FY21. The Company has obtained a long-term loan of ~PKR 1bln from the Bank of Punjab (BOP) in Mar-21 to settle inter-company balances. Recently, TPL Corp has issued a Privately Placed Commercial Paper. Post issuance of the instrument, leveraging of the Company is expected to be ~40%, however, remain low.

Instrument Rating Considerations

About The Instrument TPL Corp plans to issue a PP Sukuk of ~PKR 2,500mln (with a greenshoe option of ~PKR 750mln) to repay the upcoming bullet payment of PPCP, increase stake in TPLP and TPL Life, and repay TPLT. PP Sukuk carries markup of 3M KIBOR plus 2.25% per annum. Profit will be payable quarterly in arrears calculated on a 365 day year basis on the outstanding principal amount. The first such profit payment will fall due 3 months from the issue date. Principal redemption shall commence from the 3rd year of the issue date in 6 equal installments. PP Sukuk is secured by 64mln shares of TPLP and 35mln shares of TPLT. TPL Corp plans to repay the issue through a right issue and dilution of investment in its underlying subsidiaries.

Relative Seniority/Subordination Of Instrument The claims of the instrument holders will rank superior to the claims of ordinary shareholders.

Credit Enhancement PP Sukuk has a multi-layered protection mechanism which provides intrinsic mitigation against unforeseen risk. The securities pledged against the instrument are TPL Properties Limited (64,000,000 shares) and TPL Trakker Limited (35,000,000 shares) with the initial margin maintained by the Company at 50% while the Company is required to maintain at least 30% margin at all times. The security structure of the instrument is further beefed up by the takaful guarantee, is indeed, the first resort for the issue agent in case of non-payment risk is about to materialize. This covers the first quarterly profit payments of upto c. PKR 75 mln each quarter. As last resort, the issue agent has the right to liquidate the shares, in case, before the payment date, DPA is not funded. The 15 day cure period is encompassing these two pre-default mechanisms which initiates without invoking the event of default. In case the issuer does not build the requisite amount of upcoming installment in DPA on the desired date, first call of realization will be initiated by the issue agent for encashment of Takaful Guarantee. In case the proceeds from insurance company does not fall through within the pre-agreed timeframe or there is some degree of shortfall, the Trustee would initiate the process for realization of appropriate quantum of under-lien shares. The cure period availed would attract mark-up at the rate of 3M KIBOR + 250bps.



The Pakistan Credit Rating Agency Limited

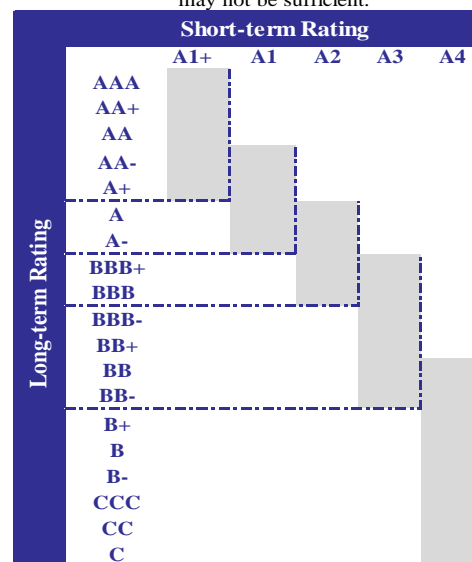
TPL Corp Limited Holding Company	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
	3M	12M	9M	6M	3M	12M	9M	6M
	Management	Audited	Management	Management	Management	Audited	Management	Management
A BALANCE SHEET								
1 Investments	12	12	3	3	3	3	-	3
2 Related Party Investments	12,921	10,210	5,807	5,513	5,461	4,704	4,587	5,140
3 Non-Current Assets	379	32	16	3	3	2	2	2
4 Current Assets	202	167	294	216	184	152	137	880
5 Total Assets	13,514	10,420	6,121	5,736	5,651	4,860	4,726	6,026
6 Current Liabilities	202	460	126	303	80	53	39	41
7 Borrowings	2,506	1,874	1,448	1,049	234	183	-	1,095
8 Related Party Exposure	1,180	1,048	1,050	1,094	1,822	1,794	1,851	1,328
9 Non-Current Liabilities	-	-	-	-	-	-	-	-
10 Net Assets	9,625	7,039	3,496	3,290	3,515	2,831	2,837	3,562
11 Shareholders' Equity	9,625	7,039	3,496	3,290	3,515	2,831	2,837	3,562
B INCOME STATEMENT								
1 Total Investment Income	3	146	8	5	2	8	9	3
a Cost of Investments	(76)	(207)	(140)	(90)	(45)	(325)	(249)	(192)
2 Net Investment Income	(74)	(61)	(132)	(85)	(43)	(318)	(240)	(189)
a Other Income	-	-	-	-	-	-	-	-
b Operating Expenses	(72)	(194)	(102)	(61)	(30)	(108)	(85)	(63)
4 Profit or (Loss) before Interest and Tax	(145)	(255)	(234)	(145)	(73)	(426)	(325)	(252)
a Taxation	-	(17)	-	-	-	-	-	-
6 Net Income Or (Loss)	(145)	(272)	(234)	(145)	(73)	(426)	(325)	(252)
C CASH FLOW STATEMENT								
a Total Cash Flow	(30)	(25)	(98)	(54)	(29)	(69)	(79)	(60)
b Net Cash from Operating Activities before Working Capital Changes	(47)	(357)	(414)	(60)	(30)	(193)	(200)	(171)
c Changes in Working Capital	(203)	(572)	(628)	(789)	(19)	797	968	(254)
1 Net Cash (Used in) or Available From Investing Activities	(250)	(929)	(1,042)	(849)	(49)	604	768	(424)
2 Net increase (decrease) in long term borrowings	(1)	(750)	(220)	(2)	(2)	143	167	259
3 Check	248	1,685	1,266	864	51	(749)	(933)	162
4 Net Cash generated or (Used) during the period	(4)	7	3	13	1	(2)	2	(4)
D RATIO ANALYSIS								
1 Performance								
a Asset Concentration (Market Value of Largest Investment / Market Value of	31.5%	31.5%	43.4%	46.1%	40.4%	40.3%	41.7%	43.0%
b Core Investments / Market Value of Equity Investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
c Marketable Investments / Total Investments at Market Value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2 Coverages								
a TCF / Finance Cost	-0.4	-0.1	-0.7	-0.6	-0.7	-0.2	-0.3	-0.3
b TCF / Finance Cost + CMLTB	-0.2	-0.1	-0.6	-0.5	-0.6	-0.2	-0.3	-0.3
c Loan to Value (Funding / Market Value of Equity Investments)	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.2
3 Capital Structure (Total Debt/Total Debt+Equity)								
a Leveraging [Funding / (Funding + Shareholders' Equity)]	20.7%	21.0%	29.3%	24.2%	6.2%	6.1%	0.0%	23.5%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	26.0%	26.6%	41.4%	31.9%	6.7%	6.5%	0.0%	30.7%

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.

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

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



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

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

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

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

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

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

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

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

- 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

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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)

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

Monitoring and review

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

Probability of Default

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

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Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets (PKR mln)
Rated, Secured, Privately Placed, Sukuk	Up to ~PKR 2.5 Billion	5 Years	TPL Properties Limited and TPL Trakker Limited would be pledged with the Trustee. The Issuer is required to maintain at least 30% margin however, The Company would maintain 50% margin.	1. TPL Properties Limited (64 mln shares) 2. TPL Trakker Limited (35 mln shares)	Listed Equity	To be appointed	

Name of Issuer	TPL Corp Limited
Issue Date	1-Dec-21
Maturity	Five (5) years after issuance

Due Date Principal	Opening Principal	Principal Repayment	Due Date Markup/ Profit	Markup/Profit rate	Days	6M Kibor Plus 250bps	Markup/Profit Payment	Installment Payable	Principal Outstanding
	PKR in mln								
Issuance									
30-Jun-22									2,500
30-Jun-23	417	-		6 M KIBOR + 2.25%	90			-	2,083
30-Jun-24	417			6 M KIBOR + 2.25%	90				1,667
30-Jun-25	417			6 M KIBOR + 2.25%	90				1,250
30-Jun-26	417			6 M KIBOR + 2.25%	90				833
30-Jun-27	417			6 M KIBOR + 2.25%	90				417
30-Jun-28	417			6 M KIBOR + 2.25%	90				(0)