



The Pakistan Credit Rating Agency Limited

Rating Report

International Business Management

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
03-Apr-2024	BB+	A3	Stable	Maintain	-
03-Apr-2023	BB+	A3	Stable	Maintain	-
14-Sep-2022	BB+	A3	Stable	Initial	-

Rating Rationale and Key Rating Drivers

International Business Management (“IBM”) is serving the customers/importers of paper & paperboard with dynamism. IBM is owned and managed by Mr. Saleem Bikiya, the head of the Bikiya family. The Bikiya family is engaged in the various segments of the paper business. The other family businesses of IBM are Madiha International (Pvt) Limited and Bikiya Industries (Pvt) Limited, which are involved in the paper and tissue industries respectively. IBM is an indenting house serving suppliers and importers of paper & paper board, generating commission income as revenue. The indenting house consists of experienced, devoted, and capable staff for the benefit of esteemed customers as well as for the success of sole proprietorship. IBM is supporting the quality assessment evaluation of various kinds of paper & paperboard in Pakistan. The ratings take comfort from IBM’s customer base for indenting services of paper & board including the family-owned companies. Due to the small business size, the sponsor is looking after the management and governance side of the proprietorship. The financial risk profile of IBM is considered adequate with currency fluctuations as seen during the end of FY23. Foreign indenting commissions have improved by a good quantum. The total inflows and total outflows during FY23 of the proprietor generated a healthy net margin. The Company is sufficiently liquid, managing its working capital requirements through its sources. IBM is leverage-free, with zero bank borrowings, and has no plans to borrow, going forward.

The ratings are dependent on IBM’s ability to sustain its position amidst a changing business environment and management’s ability to run the operations optimally. With the upcoming growth in the firm’s business; prudent financial discipline and implementation of a stringent control environment shall remain imperative.

Disclosure

Name of Rated Entity	International Business Management
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 Paper and Packaging(Nov-23)
Rating Analysts	Muhammad Usman Ameer usman.ameer@pacra.com +92-42-35869504



Profile

Legal Structure International Business Management ("IBM") was established as a sole proprietorship of Mr. Muhammad Saleem Bikiya in 1993 and is the first ISO 9001- 2015 certified paper indenting house in Pakistan.

Background IBM is serving the customers/importers of paper & paper board with dynamism. The sole proprietorship has achieved Gold partner award from sinarmas group and the 2017 APP GOLD PARTNERS best overall performance award. IBM has also won the brand ICON award in 2010 and its products achieved brand of the year award in 2010 & 2012.

Operations IBM serves the customers/importers of paper & paper board through indenting operations. IBM also initiates and promotes association government institution. IBM is supporting the quality Assessment / Evaluation of various kinds of paper and paper board, packaging material in Pakistan.

Ownership

Ownership Structure The sole proprietor - Mr. Saleem owns 100% in IBM.

Stability The sole proprietorship also provides indenting services to other companies in the market making it the major indenter of the paper and paper board industry

Business Acumen Mr. Saleem is experienced business person with an experience of more than 4 decades in the relevant field. He is working with the biggest groups in the paper industry including sinarmas group Indonesia known as Asia Pulp & Paper (APP).

Financial Strength The financial strength of the sponsor is represented by the combined wealth of the group companies.

Governance

Board Structure As IBM is a sole proprietorship, there is no board and only owner is the operational head.

Members' Profile Mr. Saleem is honored with businessmen of the year award from Prime Minister of Pakistan in three consecutive years i.e. 2007, 2008 and 2009. He is also a director and majority owner of Bikiya Industries Private Limited

Board Effectiveness Being a sole proprietorship, IBM is under complete influence from owner. No board committees and independent oversight exists at Board level.

Financial Transparency IBM is maintaining in-house financial and no audited financials are maintained since it is a proprietorship concern.

Management

Organizational Structure IBM has a simple organizational structure with the proprietor, a marketing head and an administrative office.

Management Team Mr. Saleem Bikiya the sole proprietor is solely managing the business with the assistance of some experienced resources.

Effectiveness There is no need for management committees as the structure and operations of IBM are simple.

MIS Being a proprietorship concern MIS is not required. A simple financial information pack in excel is shared with the management each month.

Control Environment The information pack provides insight into the operations of IBM and its performance.

Business Risk

Industry Dynamics Pakistan's packaging industry consists of four major segments, paper, plastic, tinplate and glass. Paper and plastic segments occupy the major share in total market. Despite, the economic slowdown caused by several issues, demand for the segment remained almost consistent as it falls in the supply chain of various essential products and industries. The segment's direct costs consist largely of imported raw materials. Chemical wood pulp is one of the main raw materials in the production of paper packaging. Therefore, volatility in exchange rates and international price trends has an impact on costs.

Relative Position As per management representation, IBM is the market leader in the paper trade by introducing many international brands in Pakistan. During the FY23, as an indenter, IBM had 90% share in imports of Art Card, 60% share in Imports of Bleach Board, 57% share in Imports of Offset Paper and 60% share in Imports of Boxes (A4 Paper) as compared to total imports of Pakistan.

Revenues Foreign Indenting commissions are earned by a good percentage.

Margins As IBM does not maintain financials and indenting business is a services industry, the total inflows and total outflows during FY23 provided a net margin of 96%

Sustainability IBM earns commission through the indenting of paper and board for major importers in the market along with all three group companies. The share of imports of paper and board as compared to the overall market stands high for IBM and provides comfort for sustainability.

Financial Risk

Working Capital IBM is sufficiently liquid, managing its working capital requirements through own sources.

Coverages IBM is an indenting house, all expenses are well covered by commission income.

Capitalization IBM does not need to take on borrowings or open any credit facilities for its operations and can generate extensive revenue of PKR 462mln as seen during FY23.



The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

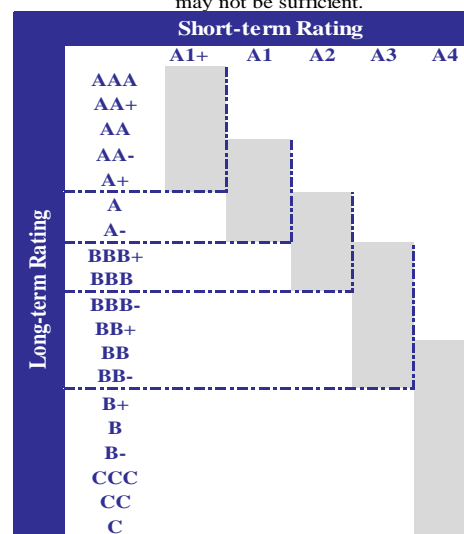
International Business Management Paper and Packaging	Jun-23 12M Management	Jun-22 12M Management	Jun-21 12M Management	Jun-20 12M Management
A BALANCE SHEET				
1 Shareholders' Equity	851	532	776	536
B MARKET SHARE				
1 Art Card	90%	90%		
2 Bleach Board	60%	60%		
3 Printing Papers	57%	57%		
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	85.2%	-14.0%	68.4%	-38.3%
b Gross Profit Margin	100.0%	100.0%	100.0%	100.0%
c Net Profit Margin	95.8%	95.0%	109.6%	82.5%
d Cash Conversion Efficiency	96.8%	100.0%	114.6%	87.5%
e Return on Equity	64.0%	36.3%	48.5%	23.4%

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.

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+	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	
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.
CC	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.
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 conditions.
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 | 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)

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