



The Pakistan Credit Rating Agency Limited

## Rating Report

### Zameen REIT Management Company Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
30-Nov-2023	RM 2	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The assigned rating for Zameen REIT Management Company Limited ("Zameen RMC" or the "Company") reflects the presence of an experienced management team. Zameen RMC is the wholly-owned subsidiary of Zameen Developments (Private) Limited which is the associated company of Zameen Media (Private) Limited ("Zameen Media"). Zameen Media was initially engaged in only classifieds business however, later in 2017 Zameen Media expanded into developmental activity through its associated company, namely Zameen Developments (Private) Limited ("Zameen Developments"). The successful backward integration from classifieds business to developmental bodes well to the assigned rating. Now Zameen Media and its associated companies are handling classifieds as well as developmental business activities in Pakistan. The rating is also getting support by the backing of Dubizzle Group Holdings Limited ("Dubizzle Group"), the holding company. Besides Zameen Media, Dubizzle Group is operating customized international classifieds portals primarily in emerging markets across the MENA, South Asia, and Southeast Asia regions under the brand names Bayut, OLX, Zameen.com and Lamudi. Zameen Developments is working on multiple projects in different cities of Pakistan and successfully delivered a Lahore-based project "Zameen Opal" in 2023. While Zameen RMC is in the process of launching the hybrid, Shariah-compliant REIT scheme "Zameen Five REIT". The fund size is targeted at ~ PKR 2bln out of which PKR 1.5bln has been invested by Dubizzle Group through its subsidiary while ~PKR 500mln is targeted to be invested by a Private Investor. The Fund would be comprised of five projects namely; i) Zameen Aurum ii) Zameen Quadrangle iii) Zameen Neo iv) Zameen Jade and v) Zameen Phoenix which are located at prime locations of Lahore. The land of all the projects is successfully acquired and due diligence of the project lands has been duly conducted. Bank borrowing is expected to be raised. The construction of the projects would be funded by a mix of, advances from customers against sales, to be received over the life of the scheme; equity and bank borrowings. Zameen RMC is proactively mitigating project-related risks by overseeing key activities, such as (i) Monitoring project completion according to milestone-based schedules. (ii) ensuring compliance with investment policy and (iii) getting its decision vetted by the Investment Committee. The Company has implemented a comprehensive risk management policy covering operational, legal, credit, and financial risks to safeguard its stakeholders' interests. Additionally, dedicated special purpose vehicles (SPVs) have been established for the projects to enhance transparency and delineate responsibilities.

The assigned rating takes into account the Company's notable competence in strategic project selection and its thorough approach to risk management practices. Going forward, the successful completion of the REIT Projects will remain imperative to the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Zameen REIT Management Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	REIT Manager Rating Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-23),Assessment Framework   REIT Manager Rating(Oct-23)
<b>Related Research</b>	Sector Study   Real Estate(May-23)
<b>Rating Analysts</b>	Muhammad Atif Chaudhry   Atif.Chaudhry@pacra.com   +92-42-35869504

## Profile

**Background** Zameen REIT Management Company Limited (the “Company” or “Zameen RMC”) was incorporated on 1st Mar, 2023 as a public company limited by shares under the Companies Act, 2017. The Company was licensed on 16th May 2023 by SECP to carry out REIT Management Services as an NBFC. The Company is in process of launching its hybrid REIT Fund, which will invest in the acquisition of land for developmental activities.

**Market Share** Currently, the industry comprises of 18 RMCs registered with SECP, with total assets amounting to PKR ~9.0bln (~0.3% of total assets of the NBFCs in the country) (Dec’22: ~16 RMCs with PKR ~8.9bln in assets and forming ~0.3% of NBFCs’ total assets). Zameen RMC is one of those companies licensed to undertake REIT management services and is in the process of launching its hybrid REIT Fund by initially raising up to ~PKR 2bln.

**Fund Mix** Zameen RMC is in the process of launching the hybrid, Shariah-compliant REIT scheme “Zameen Five REIT”. The fund size is targeted at ~ PKR 2bln out of which PKR 1.5bln has been injected by Dubizzle Group Holdings Limited (“Dubizzle Group”) through its subsidiary which is utilized for the purchase of land for projects. The remaining ~PKR 500mln will be invested by private investors and will be utilized for construction purposes. The funds raised from the “Zameen Five REIT” fund will be invested in five projects namely; i) Zameen Aurum ii) Zameen Quadrangle iii) Zameen Neo iv) Zameen Jade and v) Zameen Phoenix.

## Ownership

**Ownership Structure** Zameen RMC is the wholly-owned subsidiary of Zameen Developments (Private) Limited (“Zameen Developments”) which is the associated company of Zameen Media (Private) Limited (“Zameen Media”). Zameen Media is the successful business venture of local and international investors. Zameen RMC is backed by Dubizzle Group. Dubizzle Group is operating customized international classifieds portals primarily in emerging markets across the MENA, South Asia, and Southeast Asia regions under the brand names Bayut, OLX, and Lamudi. Zeeshan Ali Khan, and Haseeb Moazam Malik are the directors of Zameen Media.

**Stability** Zameen Developments’ ownership structure is considered to be stable as majority stake rests with Dubizzle Group.

**Business Acumen** In the real estate industry in Pakistan, Dubizzle Group is the only one that provides 360 solutions to the real estate industry because it provides designing, procurement, development, and best marketing services under one roof. Its strategy for new ventures has centered on building partnerships with industry players engaged in the construction and real estate business, whereas Zameen Media provides market knowledge.

**Financial Strength** Dubizzle Group Holdings Limited, the holding company, owns and operates bespoke classifieds portals in emerging markets, primarily in the MENA, South Asia, and Southeast Asia regions. and owns strong brand names like Bayut, Zameen.com, OLX, and Lamudi. The group wealth is \$ 1.5bln.

## Governance

**Board Structure** The board of directors of Zameen RMC comprises of eight experienced professionals, namely: Adil Ahmad Kamal (CEO), Zeeshan Ali Khan, Mariam Saleem, Maryam Haq and Tanzain Shafqat as the Nominee Directors and Faiza Iftikhar, Sadiq Ali and Kamran Nasir as the Independent Directors. While Mr. Zeeshan Ali Khan is serving as the Chairman of the board at Zameen RMC. There is one female independent director on the board along with two other independent directors.

**Members’ Profile** Mr. Zeeshan Ali Khan is serving as the non-executive director at Zameen RMC; he is also the Member of the Dubizzle Group’s Board of Directors and Zameen Media’s co-founder. Mr. Zeeshan has founded several highly successful online and conventional businesses over the course of his career.

**Board Effectiveness** The Board of the Company has the overall responsibility for the establishment and oversight of the risk management framework. To ensure effective governance, the Board has formed six committees, namely (i) Audit & Risk Oversight Committee (ii) Investment Oversight Committee (iii) Human Resource and Remuneration Oversight Committee. In addition to this, there are three management committees, namely (i) Legal & Compliance Management Committee (ii) Procurement & Operations Management Committee, and (iii) Investment Management Committee.

**Transparency** The external auditors of the Company are KPMG Taseer Hadi & Co. They have a satisfactory QCR rating and are classified in the ‘A’ category of the SBP Panel of Auditors. The Company has an in-house internal audit department that reports independently to the audit committee.

## Management

**Organizational Structure** Zameen RMC has a multi-tier functional organization structure, consisting of the following departments, i) Investments, ii) Marketing, iii) Operations, iv) Legal, v) Finance, vi) Enterprise Risk Management, vii) Internal Audit, viii) IT, and ix) Human Resource. Heads of these departments, except the Internal Audit department, report directly to the CEO. The head of the Internal Audit department reports directly to the audit committee.

**Management Team** The management team of the Company comprises of experienced professionals. Mr. Adil Ahmed Kamal currently holds the position of CEO at Zameen RMC. With over 9 years of experience in various facets of real estate, he has successfully structured and executed multiple real estate projects. Adil Javaid is currently serving as the CFO of Zameen RMC; he is a graduate of Simon Fraser University, Canada and holds the CPA designation. He has 9+ years of experience.

**Management Effectiveness** The management is effectively engaged with stakeholders to ensure regulatory approval of the project.

**Oversight Of Third-Party Service Providers** The Company has developed an in-house setup for providing services like structural designing, and project development. The management’s experience in real estate has equipped it to effectively oversee all those areas which has enabled them to eliminate reliance on third-party.

**Control Environment** The Company has established legal and compliance departments. The department is headed by Fariha Naveed, Head of Legal & Company Secretary. The department ensures compliance with all applicable statutory regulations and internal investment guidelines.

## Investment Risk And Portfolio Management

**Investment Risk Management** The Company has established an Investment Management Committee to evaluate investment opportunities as per investment guidelines stipulated in the Information Memorandum. The investment risk is being managed by overseeing activities such as (i) project completion by following milestone-based schedule (ii) ensuring compliance with investment policy and (iii) getting its decisions vetted by the Investment Committee. Risk management policy is in place which covers operational, credit and financial risks.

**Investment Decision Making** As per international best practices, Zameen RMC has established an Investment Management Committee, comprising of experienced independent professionals to oversee and approve investment decisions as per the investment criteria mentioned in the Information Memorandum.

**Investment Research & Analysis** The Research and Feasibility department is responsible for monitoring the real estate value, market position, and changes in the economic and regulatory environment that may impact the operations and performance of Zameen Five REIT. Mr. Usama Liaquat is heading the department. He has 10+ years of diverse experience. Along with it, an Investment Oversight Board Committee has been formed to set out the strategic direction-making at Board level.

## Customer Relationship

**Investor Services** The Company will manage investors’ relationships using specifically developed software which would provide a centralized platform for facilitating and monitoring digital marketing activities.

**Investor Reporting** The investors’ reporting mechanism is in process of establishment.

**Distribution & Sales Network** (Digital Marketing Network) Zameen Media founded in 2006, having its head office in Lahore, is Pakistan’s largest online real estate portal connecting buyers with sellers within & outside the country. Zameen Media has the biggest digital marketing network in real estate sector in Pakistan.

## Investment Performance

**REIT Funds Under Management** Zameen REIT Management Company Limited is in the process of launching the hybrid, Shariah-compliant REIT scheme “Zameen Five REIT”. The fund size is targeted at ~ PKR 2bln and these cashflows will be utilized for the construction purpose.

**Performance** The Company will earn mainly on account of the REIT Scheme Fund’s management fee (1.5% of NAV) and performance fee (15% of NAV) to be charged as per the REIT Regulations, 2022.

**Financial Sustainability** Dubizzle Group Holdings Limited, the holding company, owns and operates bespoke classifieds portals in emerging markets, primarily in the MENA, South Asia, and Southeast Asia regions and owns strong brand names like Bayut, Zameen.com, OLX, and Lamudi.



The Pakistan Credit Rating Agency Limited

Zameen REIT Management Company Limited  
Private Limited

Jun-23

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**A BALANCE SHEET**

1 Earning Assets	73
2 Non-Earning Assets	0
<b>3 Total Assets</b>	<b>73</b>
4 Total Borrowing	26
5 Other Liabilities	0
<b>6 Total Liabilities</b>	<b>27</b>
<b>7 Shareholders' Equity</b>	<b>46</b>

**B INCOME STATEMENT**

1 Investment Income	-
2 Operating Expenses	(4)
<b>3 Net Investment Income</b>	<b>(4)</b>
4 Other Income	-
5 Total Income	(4)
6 Other Expenses	-
7 Total Finance Cost	-
<b>8 Profit Or (Loss) Before Taxation</b>	<b>(4)</b>
9 Taxation	-
<b>10 Profit After Tax</b>	<b>(4)</b>

**C RATIO ANALYSIS**

<b>1 Investment Performance</b>	
i. Investment Income / Average AUMs	N/A
ii. ROE	-8.2%
iii. ROA	-5.2%
<b>2 Financial Sustainability</b>	
i. Coverages	
a. Total Borrowing / EBITDA	N/A
b. EBITDA / Finance Cost	N/A
ii. Capitalization	
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	36.0%

REIT Manager Rating Scale				
An independent opinion on a REIT Manager's quality of investment and operations management.				
Scale	Definition			
<b>RM1</b>	<b>Very high</b> quality of investment and operations management.			
<b>RM2++ RM2+ RM2</b>	<b>High</b> quality of investment and operations management.			
<b>RM3++ RM3+ RM3</b>	<b>Good</b> quality of investment and operations management.			
<b>RM4++ RM4+ RM4</b>	<b>Adequate</b> quality of investment and operations management.			
<b>RM5</b>	<b>Weak</b> quality of investment and operations management.			
<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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'.</p>	<p><b>Rating Watch</b> 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.</p>	<p><b>Suspension</b> 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.</p>	<p><b>Withdrawn</b> 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.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
<p><b>Surveillance.</b> 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.</p>				

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- 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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- (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).
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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)
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- (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)

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