



The Pakistan Credit Rating Agency Limited

Rating Report

IMM REIT Management Company Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
20-Dec-2024	RM 3	-	Stable	Maintain	-
20-Dec-2023	RM 3	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating for IMM REIT Management Company Limited ("IMM RMC" or the "Company") reflects the presence of an experienced management team. IMM RMC is owned by i) Mascon Private Limited, ii) Mr. Sheraz Jehangir Monnoo, and iii) Mr. Khizar Ayub Izhar. Mascon Pvt. Ltd. has set its sights on making a mark in the Real Estate Sector coupled with Master Group's vast experience in various industries across the country. Monnoo Group owns 12 Textile units, Agricultural Farms, and extensive research units catering to various agricultural products. Operating within the Real Estate, Construction, and Technology sectors, the Izhar Group of Industries has solidified its position as a leading construction entity in Pakistan. With a robust track record of excellence, Izhar Group has successfully executed numerous significant construction projects. This combination of expertise and diversified industrial experience supports IMM RMC's positioning in the market. IMM RMC is currently in the process of launching its first Real Estate Investment Trust (REIT) scheme named "IMM Project One Developmental REIT Scheme" with an expected launch in the first quarter of 2025. The fund size is set at PKR 5bln. The contribution from Mr. Mazhar Iqbal would be PKR 1.5bln, while the remaining PKR 3.5bln would be collectively provided by Master Textile Mills Ltd, Mr. Sheraz Jehangir Monnoo, and Mr. Khizar Ayub Izhar, each by investing ~ PKR 1.167bln. The acquisition of land for "IMM Project One (Pvt) Ltd (hereinafter referred to as Special Purpose Vehicle (SPV))" is currently underway in a phased manner. The Project is located on land near Bahauddin Zakariya University, Multan. The land area for the project has increased to 807.9 acres (up from 790 acres in CY23). Approximately 438 acres (Land A) will be acquired through a cash outlay, while the remaining 369 acres (Land B) will be obtained by issuing files for developed land as compensation to the respective landowners. The SPV designated for this project has successfully acquired ~148 acres (out of 438 acres). According to management, the acquisition of approximately 262 acres (out of 438 acres) through cash is expected to be finalized by the first quarter of 2025. This financial structure, combining land and equity contributions, lays the foundation for the successful launch of IMM Project One. This phased approach to land acquisition ensures a strategic and efficient process for the development of "IMM Project One." The dedicated SPV structure for the project would 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 rating.

Disclosure

Name of Rated Entity	IMM REIT Management Company Limited
Type of Relationship	Solicited
Purpose of the Rating	REIT Manager Rating Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-24),Assessment Framework REIT Manager Rating(Oct-24)
Related Research	Sector Study Real Estate(Jun-24)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504

Profile

Background IMM REIT Management Company Limited ("IMM RMC" or the "Company") was incorporated on 9th May 2022 as a public limited company under the Companies Act, 2017. The Company was licensed on 13th July 2022 by SECP to carry out REIT Management Services as an NBFC. The Company is working towards the launching of its REIT Fund, which will invest in the acquisition of land for development as well as the development of real estate assets.

Market Share As of March '24, ~25 RMCs (REIT Management Companies) are registered with the SECP, with total assets amounting to PKR~14.6bln (~0.4% of total assets of NBFCs) (Dec'23: ~24 RMCs with PKR~12.6bln in assets or ~0.4% of NBFCs' total assets). IMM RMC, licensed for REIT management, is launching a developmental REIT Fund with a fund size set at PKR 5bln.

Fund Mix IMM RMC is set to launch its first REIT scheme, "IMM Project One," with an expected launch by the end of Q1-25. The fund size is set at PKR 5bln. The contribution from Mr. Mazhar Iqbal would be PKR 1.5bln, while the remaining PKR 3.5bln would be collectively provided by Master Textile Mills Ltd, Mr. Sheraz Jehangir Monnoo, and Mr. Khizar Ayub Izhar, each by investing ~ PKR 1.167bln.

Ownership

Ownership Structure The majority of IMM RMC ownership resides with the Master Group through Mascon Private Limited a subsidiary Company of Master Group of Companies by holding ~50% shares of RMC. The remaining ~50% shares of the Company are held by i) Mr. Sheraz Jehangir Monnoo and ii) Mr. Khizar Ayub Izhar holding 25% shares each.

Stability IMM RMC ownership structure is considered to be stable as the Company is majorly owned by Master group, Monnoo group and Izhar group.

Business Acumen The Master Group, anchored by its flagship company Master Enterprises (Pvt.) Ltd. has a distinguished history of over 50 years. In parallel, the Izhar Group of Industries, active in the Real Estate, Construction, and Technology sectors, has established itself as a prominent construction leader in Pakistan. With a strong history of success, the group has completed a wide range of major construction projects.

Financial Strength The financial strength of the sponsors remains strong due to their diversified investment portfolios.

Governance

Board Structure The Board of IMM RMC comprises six experienced professionals including Mr. Rumman Arshad (CEO). Mr. Shahzad Malik serves as the Chairperson, while Mr. Sheraz J. Monnoo and Mr. Khizar Ayub Izhar are serving as the Non-Executive Directors. Mr. Zubair Anjum and Ms. Zehra Waheed are Independent Directors.

Members' Profile Mr. Shahzad Malik is the Non-Executive Director and Chairperson of IMM RMC is the Director of Master Group of Industries. Mr. Sheraz J. Monnoo of the notable Monnoo Group, is the Chief Operating Officer (COO) of Izhar Monnoo Developers (IMD) and serves as the Non-Executive Director. Over a decade, his strong relationships with stakeholder bodies and his commitment to delivering the highest standard of workmanship have helped IMD turn into the most trusted name in the real estate sector. Mr. Khizar Ayub Izhar is the Non-Executive Director and is a qualified Chartered Accountant from A. F. Ferguson & CO. His extensive experience in successful project handling has helped IMD achieve the set targets and grow at rapid rates.

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 four committees, namely, (i) Audit Committee (ii) Human Resource and Remuneration Committee (iii) Risk Management Committee and (iv) Investment Committee.

Transparency The external auditors of the Company are M/s Aamir Salman Rizwan chartered accountant. They have a satisfactory QCR rating. The Company has an in-house internal audit department that reports independently to the audit committee.

Management

Organizational Structure IMM RMC has a multi-tier functional organization structure, consisting of the following departments, i) Finance, ii) Risk management & compliance, iii) IT, iv) Investments, v) Property Management, vii) Administration, and viii) Internal Audit. Heads of the above-listed 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 experienced and qualified professionals. Mr. Rumman A. Dar is the CEO and he holds Over 20 years of experience in investments, project development, operational management, policy development, and management consultancy. Mr. Shahzad Hanif, CFO, is an ACA and has over 19 years of experience. Mr. Khalid Usman, the Company Secretary is a FCA and has 15 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 management's experience in real estate has equipped it to effectively oversee all those areas which has enabled them to eliminate the reliance on third-party.

Control Environment The Company has established Risk management & compliance. The department ensures compliance with all applicable statutory regulations and internal investment guidelines.

Investment Risk And Portfolio Management

Investment Risk Management The Company has an Investment Committee to evaluate opportunities based on the IM's guidelines. Investment risk is managed by monitoring project milestones, ensuring policy compliance, and having decisions reviewed by the Committee. A risk management policy is in place to address operational, credit, and financial risks.

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

Investment Research & Analysis The Investments and Property Management 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 the IMM RMC. Mr. Umar Paracha, who formerly led the department, has resigned. The role is now being managed by Mr. Ahmad Ilyas, who also serves as the Compliance Officer. He is handling both positions simultaneously and brings with him 10 years of experience.

Customer Relationship

Investor Services IMM REIT Management Company Limited would manage investors' relationships using specifically developed software which would provide a centralized platform for facilitating and monitoring sales and marketing activities.

Investor Reporting The investor's reporting mechanism is in process of establishment.

Distribution & Sales Network Currently, the Company is operating through its head office based in Lahore.

Investment Performance

REIT Funds Under Management IMM RMC is in the process of launching its first REIT scheme "IMM Project One" which is expected to launch by the end of 1st Qtr-25.

Performance IMM RMC has reported a net loss after tax amounting to PKR 12.054mln during FY24 (FY23: Loss of PKR 5.545mln). The loss is made mainly on account of admin expenses incurred during the period. The Company's equity was reported at PKR 31.55mln during FY24 (FY23: PKR 43.60mln).

Financial Sustainability The Company has zero leveraged capitalization structure and is 100% equity financed by the parent Company which also shows the parent Company's commitment in case of financial needs.



The Pakistan Credit Rating Agency Limited

PKR mln

IMM REIT Management Company Limited
Public Limited

Jun-24

Jun-23

Jun-22

12M

12M

12M

Audited

Audited

Audited

A BALANCE SHEET

1 Earning Assets	35.22	44.65	49.57
2 Non-Earning Assets	0.40	0.35	0.46
3 Total Assets	35.61	45.01	50.03
4 Total Borrowing	-	-	0.77
5 Other Liabilities	4.08	1.40	0.11
6 Total Liabilities	4.08	1.40	0.88
7 Shareholders' Equity	31.55	43.60	49.15

B INCOME STATEMENT

1 Investment Income	7.57	6.87	0.53
2 Operating Expenses	(18.17)	(11.51)	(1.38)
3 Net Investment Income	(10.60)	(4.63)	(0.85)
4 Other Income	-	-	-
5 Total Income	(10.60)	(4.63)	(0.85)
6 Other Expenses	-	-	-
7 Total Finance Cost	(0.36)	(0.09)	-
8 Profit Or (Loss) Before Taxation	(10.96)	(4.72)	(0.85)
9 Taxation	(1.09)	(0.82)	-
10 Profit After Tax	(12.04)	(5.54)	(0.85)

C RATIO ANALYSIS

1 Investment Performance

i. Investment Income / Average AUMs	N/A	N/A	N/A
ii. ROE	-32.1%	-11.9%	-1.7%
iii. ROA	-29.9%	-11.7%	-1.7%

2 Financial Sustainability

i. Coverages			
a. Total Borrowing / EBITDA	N/A	N/A	N/A
b. EBITDA / Finance Cost	N/A	N/A	N/A
ii. Capitalization			
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	0.0%	0.0%	1.6%

REIT Manager Rating Scale									
An independent opinion on a REIT Manager's quality of investment and operations management.									
Scale		Definition							
RM1		Very high quality of investment and operations management.							
RM2++ RM2+ RM2		High quality of investment and operations management.							
RM3++ RM3+ RM3		Good quality of investment and operations management.							
RM4++ RM4+ RM4		Adequate quality of investment and operations management.							
RM5		Weak quality of investment and operations management.							
<table><tr><td>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’.</td><td>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.</td><td>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.</td><td>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.</td><td>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</td></tr></table>					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.
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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.									

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(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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- (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)

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- (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).
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- (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)
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- (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)

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- (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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