



The Pakistan Credit Rating Agency Limited

Rating Report

JS Global Capital Limited

Report Contents

1. Rating Analysis
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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
14-Jun-2019	AA	A1+	Stable	Maintain	-
13-Dec-2018	AA	A1+	Stable	Maintain	-
10-Mar-2017	AA	A1+	Stable	Maintain	-
11-Mar-2016	AA	A1+	Stable	Maintain	-
11-Mar-2015	AA	A1+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The ratings reflect JS Global Capital Limited's (JSGCL) strong ability to retain its market share in lackluster equity market activity. The rating incorporates the leading position of the company in the brokerage industry emanating from an established brand, sizeable and stable market share and a sound operating platform. The ratings incorporate JSGCL's sound financial profile characterized by its un-leveraged capital structure and strong risk absorption capacity owing to its healthy equity base and liquidity profile. The company is geared up to further enhance its market share, branch network, software development while developing new products. The company's investment portfolio is compliant to its Investment Policy Statement, to invest in 'A' and above rated avenues and is dominated by bank placements and equity spread transactions which provide a stable stream of income. The investment book also remains a source of comfort amidst inherently volatile brokerage volumes. The performance of the company has been under pressure recently due to lower volumes and trading activity in the market resulting in subdued profitability. The ratings recognize JSGCL's parentage - JS Bank – and its association with JS Group.

The ratings are dependent on the JSGCL's management's ability to improve the brokerage income by optimizing its resources. Given relatively constrained volumes in the market, in turn suppressed the profitability, managing any further contraction may be challenging. Herein, retaining market share would support JSGCL's business profile. Retention and nurturing of key human resources remain imperative for JSGCL.

Disclosure

Name of Rated Entity	JS Global Capital Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Security Broker(Jun-18)
Related Research	Sector Study Brokerage & Security(Nov-18)
Rating Analysts	Shahzaib Khalid shahzaib.khalid@pacra.com +92-42-35869504



PROFILE

Legal Structure Incorporated in June 2000 as a private limited company, JS Global Capital Limited (JSGCL) listed on the Pakistan Stock Exchange (PSX) in December 2004.

Background The company carries the legacy of stock brokerage business initiated in the early seventies by Mr. Jahangir Siddiqui, one of the leading entrepreneurs in Pakistan with over 50 years of business experience in various industries.

Operations With its head office based in Karachi, main activities include brokerage, corporate finance, financial advisory, commodities, forex and money market activities. JSGCL operates with ten branches across the country.

OWNERSHIP

Ownership Structure JS Bank Limited (JSBL) is the major shareholder of the company holding ~67% stake. JSBL is the subsidiary of Jahangir Siddiqui & Co. Limited (JSCL). The other major shareholder in JSGCL is Global Investment House Limited (GIHL) (27%) and Jahangir Siddiqui Securities Services Limited (0.57%). The remaining shareholders comprise the general public and other market participants.

Business Acumen JSBL is a medium-sized commercial bank, operating with a network of 323 branches, has witnessed fast growth and market share in recent times. JSGCL's second largest shareholder. GIHL, Incorporated in 1998, licensed by Central bank of Kuwait, listed on Bahrain and London Stock Exchanges and offers a wide range of financial products and services. JSCL is the holding company for JS Group's business interest in banking, insurance, investment services, media, textile and port terminal operations.

Financial Strength JSBL's equity stood at ~PKR 18bln at end Dec-18. JSBL has a long-term rating of AA- and a short-term rating of A1+. The equity size of GIHL was ~KD64mln (USD 217mln) at end Dec-18.

GOVERNANCE

Board Structure JSGCL's board of directors comprise eight members, including the CEO. Six directors are non-executive, while one is independent. Four directors represent JS Group, while three represent GIHL. During FY19, two directors representing JS Group resigned and were replaced.

Members' Profile The company's Chairman, Mr. Muhammad Yousuf Amanullah (FCA), a certified director, has been associated with JS Group since 2003 in various strategic capacities and carries extensive professional experience. Mr. Munir Taher (FCCA, CFA), is the global vice president of GIHL and carries over a decade of professional experience in investment management. The CEO, Mr. Kamran Nasir, has been associated with the board since 2011.

Board Effectiveness To ensure the compliance and ensure corporate governance, JSGCL has formulated three board committees, i) Audit committee, ii) HR & remuneration committee and iii) Executive committee. The independent director is a member of both the audit and HR & remuneration committees.

Financial Transparency JSGCL has outsourced the internal audit function to Deloitte Yousuf Adil, the internal audit report for CY17 did not report any serious risks or failures in the Company operations. JSGCL has appointed EY Fort Rhodes Sidat Haider as the external auditor, the auditor issued an unqualified opinion on the company's financial statements for CY18.

MANAGEMENT

Organizational Structure JSGCL has a multi-tier functional organization structure, consisting of following departments, i) Finance, ii) Internal audit, iii) Risk management & compliance, iv) IT, v) Equity operations, vi) Research, vii) International sales, viii) Online trading, and, ix) Commodity trading and x) Corporate finance. Heads of the above listed departments report directly to the CEO.

Management Team The CEO, Mr. Kamran Nasir (FCCA), has over fifteen years of experience in audit, investment banking and, brokerage business. All other members of the senior management are also well qualified and carry broad-based professional experience.

Effectiveness JSGCL has established four management committees, i) Management Committee, ii) Investment Committee, iii) IT steering committee and iv) Risk Committee. Management streamlines risk management architecture and internal policies through the Risk Management Committee. The investment committee consists of five members and is chaired by the CEO.

Control Environment JSGCL has devised detailed policies for operations, research, IT, trading and investment and risk among others. The company utilizes one of the best ERP's available to the brokerage industry. Specified margins and inbuilt restrictions in the trading software mitigate both trading and settlement risk.

BUSINESS RISK

Industry Dynamics During first five months of CY19, KSE-100 posted a negative return of ~3%. Trading activity remained low on the back of negative market sentiments due to uncertainty on market performance in the backdrop of an economic slowdown, rising interest rate environment and consistent drag on IMF front. Concerns on upcoming budgetary measures remained in limelight. The overall trading volumes in first five months of CY19 remained low, (5MCY19: 88mln, CY18: 97mln, CY17: 102mln) as compared to previous years. This put pressure on income of all brokerage entities.

Relative Position The company remains one of the prominent players in equity, fixed income and forex domain with a market share of ~10% in the equity trading. JSGCL is one of the two BMR1 rated brokerage houses in the country.

Revenue At end Dec-18, the fee-based income of JSGCL declined by 11% to ~PKR 478mln, as compared to CY17. The decline in the brokerage income (CY18: ~PKR 389mln, CY17: ~PKR 529mln) was partly offset by a gain in the advisory income which jumped to ~PKR 90mln, compared to CY17, when it was ~PKR 6mln. Non-fee based income over CY18 also declined to ~PKR 280mln (CY17: ~PKR 353mln).

Profitability During CY18, the operating margins of the company declined by 58%, due to lower brokerage income.

Sustainability Given the fluctuating market trend, the company has halted the branch expansion. The company is focusing on the development side of the business by bringing in new products for online trading which will go online once the market improves. The company is also willing to act as the market maker once ETF is launched in Pakistan.

FINANCIAL RISK

Credit Risk JSGCL has due diligence procedures in addition to its KYC, for the assessment of its client creditworthiness. Applicable policies for leveraged products have been adopted and limits have been defined which are strictly monitored.

Market Risk JSGCL carries no market risk as it has no direct exposure in the equity market. Funds have been deployed in the ready future spread transactions, units of mutual funds, and secured money market instruments. The risk related to ready future spread transaction primarily emanates from the execution of the transactions.

Liquidity Risk The liquidity risk for the company arises from the T+2 settlement framework. JSGCL's liquid assets were ~0.28x of the total asset as of end Dec-18 (Dec 17: ~0.45x). Furthermore, liquid assets were ~1x that of the trade-related liabilities (Dec 17: ~2x). In case a need arises, the company has a finance line of ~PKR 800mln provided by JSBL.

Coverages Due to zero borrowings, the only finance cost for the company is bank charges.

Capitalization As mentioned earlier, JSGCL has a debt-free capital structure and the company does not plan to alter this. At end Dec-18, the net capital balance (NCB) for the company stood at ~PKR 1.5bln (CY17: ~PKR 1.9bln). The Company can take exposure up to 25x of its NCB.


JS GLOBAL CAPITAL LIMITED
BALANCE SHEET

As at :

	31-Mar-19 3MCY19 Unaudited	31-Dec-18 CY18 Audited	31-Dec-17 CY17 Audited	31-Dec-16 CY 16 Audited
A. EARNING ASSETS				
a. Finances				
1. Margin Financing	303	310	343	873
2. Ready Futures (Spread Transactions)	822	994	322	787
	1,125	1,304	666	1,659
b. Investments				
1. Deposits with Banks and other institutions (Own Funds)	550	216	1,050	1,045
2. Deposits with Banks and other institutions (Client's Fund)	1,383	1,352	626	0
3. Govt. Securities and Money Market Fund	0	0	0	0
4. Debt Securities & Income Funds	172	164	97	53
5. Long-Term				
i) Listed Equities	35	30	49	61
ii) TREC	8	8	8	8
6. Short-Term				
i) Units of mutual funds	0	0	225	0
	2,148	1,770	2,055	1,167
Total Earning Assets	3,273	3,075	2,721	2,827
B. NON-EARNING ASSETS				
1. Cash and Bank Balances (Own Funds)	2	3	3	2
2. Advance Tax	129	121	57	47
3. Accounts Receivable	1,000	1,086	562	923
4. Advances, Deposits and Other receivables	213	272	324	577
5. Fixed Assets	538	283	96	82
	1,882	1,766	1,042	1,631
Non-Earning Assets				
C. TOTAL ASSETS	5,155	4,840	3,762	4,458
D. Funding				
I. Commercial				
i) Advances from Customers	0	0	0	0
ii) Trade payables	2,134	2,045	995	1,740
	2,134	2,045	995	1,740
2. FIs				
i) Short-term Borrowings	0	0	0	0
ii) Current Maturity of Long Term Debt	0	0	0	0
iii) Long-term Borrowings	0	0	0	0
	0	0	0	0
Total Funding	2,134	2,045	995	1,740
E. Other Liabilities				
1. Borrowings				
1. Due to Associates	0	0	0	0
2. Other Liabilities (staff gratuity, Accrued mark-up)	401	183	163	163
3. Provision for Taxation	0	0	0	0
	401	183	163	163
Other Liabilities				
F. EQUITY				
1. Share Capital	380	380	380	380
2. Reserves:				
i. Statutory Reserve	0	0	0	0
ii. Capital Reserve	1,810	1,810	1,810	1,810
iii. Reserve for Bonus Shares	0	0	0	0
iv. Revenue Reserve	0	0	0	0
v. Unappropriated Profit	413	410	384	299
	2,223	2,220	2,195	2,109
Pure Equity	2,603	2,600	2,575	2,489
3. Surplus/(Deficit) on Revaluation of Investments	14	8	27	66
3. Unclaimed dividend	3	3	3	0
Total Equity	2,620	2,612	2,605	2,556
G. TOTAL LIABILITIES & EQUITY	5,155	4,840	3,762	4,458
H. CONTINGENT LIABILITIES	0	0	0	0

JS GLOBAL CAPITAL LIMITED
INCOME STATEMENT

For the period ended

	31-Mar-19 3MCY19 Unaudited	31-Dec-18 CY18 Audited	31-Dec-17 CY17 Audited	31-Dec-16 CY 16 Audited
1. Fee-Based Income				
a. Advisory Fees	9	90	6	13
b. Commission / Underwriting	0	0	0	0
c. Brokerage	71	389	529	451
d. Others (including MFS)	0	0	2	4
	80	478	538	468
2. Operating Expenses				
a. Personnel Expenses*	(60)	(277)	(312)	(231)
b. Other Non-interest/Mark Up Expenses*	(81)	(375)	(327)	(273)
	(141)	(652)	(638)	(504)
3. Brokerage Income / (Loss)	(60)	(174)	(100)	(35)
4. Non Fee-Based Income				
a. Placements (including Reverse REPO/COI/CFS)	0	0	0	0
b. Bank Deposits and Margin finance	47	161	208	155
c. Dividend Income	25	79	70	55
d. Gain on Sale of Investments	7	40	79	57
e. Surplus/(Deficit) on Revaluation of Investments	3	0	(4)	14
f. Share of profit of subsidiaries/associates	0	0	0	0
g. Others	0	0	0	0
	82	280	353	280
5. Total Operating Income / (Loss)	22	106	253	245
6. Financial Charges	(8)	(7)	(54)	(1)
7. Other Income / (Loss)	0	0	0	(5)
8. Profit / (Loss) Before Tax	13	99	198	239
9. Taxes	(10)	(73)	(113)	(68)
10. Net Income	3	26	86	171
12. Unappropriated Profit / (Loss) Brought Forward	384	384	298	559
12. Adjustments	0	0	0	0
Available for Appropriations	387	410	384	730
13. Appropriations				
a. Statutory Reserve	0	0	0	0
b. Share buy back	0	0	0	(432)
c. Revenue Reserve	0	0	0	0
c. Cash Dividend	0	0	0	0
d. Bonus Dividend	0	0	0	(432)
	0	0	0	(432)
14. Unappropriated Profit/(Loss) Carried Forward	387	410	384	298
<i>* Proportionated in 9MCY18</i>				



JS GLOBAL CAPITAL LIMITED
RATIO ANALYSIS

A. PERFORMANCE

1. ROE
 - a Net Profit Margin
 - b Asset Turnover
 - c Financial Leverage
2. ROA
3. Cost-to-Fee Income
4. Cost-to-Total Operating Income
5. Taxes / Pre-Tax Profit
6. Net Non-Earning Assets / Assets net of Non-Interest Liabilities

31-Mar-19 **31-Dec-18** **31-Dec-17** **31-Dec-16**
3MCY19 **CY18** **CY17** **CY 16**
Unaudited **Audited** **Audited** **Audited**

0.11%	1.10%	3.01%	7.46%
3.5%	5.4%	15.9%	36.5%
1.6%	11.1%	13.1%	11.7%
1.97	1.85	1.44	1.74
0.1%	0.5%	2.3%	3.8%
175.4%	136.3%	118.7%	107.6%
86.7%	86.0%	71.6%	67.3%
79.0%	74.1%	56.9%	28.5%
31.1%	34.0%	24.4%	34.2%

B. FINANCIAL EXPOSURE

1. Investments / Equity
2. Equities / Total Capital
3. Fixed Income / Total Capital
4. NCB / Equity

72.6%	66.2%	81.4%	113.6%
1.4%	1.1%	10.7%	2.4%
6.6%	6.3%	3.7%	2.1%
n.a	59.1%	74.8%	77.6%

C. LIQUIDITY

1. Trade Related Assets / Trade Related Liabilities
2. Liquid Assets / Total Assets
3. Liquid Assets / Trade Related Liabilities
4. Liquid Assets / (Short term Borrowings + Advances from Customers + Accounts Payable)
5. Adjusted Liquid Assets / (Short term Borrowings + Advances from Customers + Accounts payable)
6. Liquid Investments / Equity

0.47	0.53	0.56	0.53
0.30	0.28	0.45	0.42
0.72	0.67	1.70	1.09
0.72	0.67	1.70	1.09
0.72	0.67	1.70	1.38
0.61	0.54	0.68	0.78

B. COVERAGE RATIOS

1. EBITDA/Gross Interest
Debt Payback Analysis
- 7 Long-term Debt/FCFO
- 8 Total Debt / FCFO

2.92	16.52	4.27	440.79
n.a	n.a	n.a	n.a
n.a	n.a	n.a	n.a

C. CAPITAL ADEQUACY

1. Equity / Total Assets
2. Total Equity (including surplus on revaluation) / Total Assets
3. Total Debt / Equity
4. Dividend Payout Ratio

50.5%	53.7%	68.4%	55.8%
50.8%	54.0%	69.2%	57.3%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%

D. GROWTH

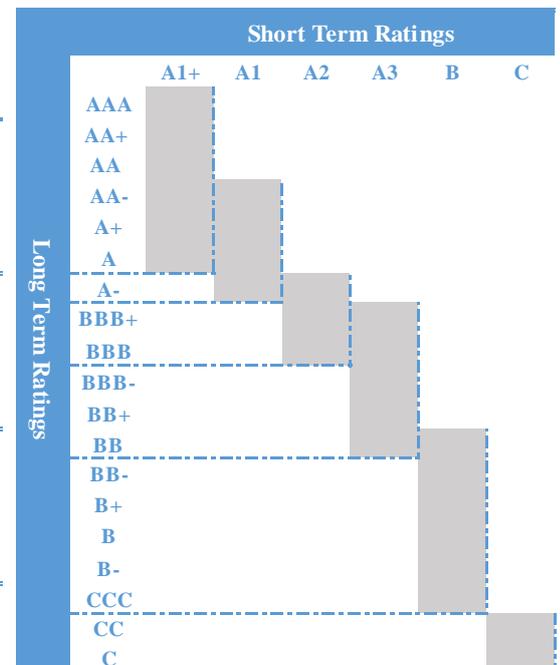
1. Total Assets
2. Investments
2. Equity
3. Brokerage Revenue
4. Investment Yield
5. Revenue
 - a. Advisory Fees
 - b. Brokerage

6.5%	28.6%	(15.6%)	26.2%
6.5%	13.0%	(3.8%)	(4.3%)
0.1%	1.0%	3.4%	(13.7%)
(81.6%)	(26.6%)	17.4%	(0.4%)
2.6%	9.6%	12.7%	9.7%
(83.2%)	(11.1%)	14.9%	(6.1%)
(90.1%)	1,281.7%	(50.1%)	(68.9%)
(81.6%)	(26.6%)	17.4%	(0.4%)

Credit Rating Scale & Definitions

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 Ratings		Short Term Ratings	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments	A1+	The highest capacity for timely repayment.
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.	A1	A strong capacity for timely repayment.
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.	A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial 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.	A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
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	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
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.	C	An inadequate capacity to ensure timely repayment.
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.		



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, a) some material identifiable event and/or b) deviation from expected trend. 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 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) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults, or/and f) 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.

Disclaimer: PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

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)
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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 | 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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