



The Pakistan Credit Rating Agency Limited

## Rating Report

### Sui Southern Gas Company Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
15-Dec-2023	A+	A1	Stable	Maintain	Yes
31-Jan-2023	A+	A1	Stable	Upgrade	Yes
15-Dec-2022	A	A2	Stable	Maintain	Yes
22-Dec-2021	A	A2	Negative	Downgrade	Yes
24-Dec-2020	A+	A1	Negative	Maintain	Yes
28-Dec-2019	A+	A1	Negative	Maintain	Yes
28-Jun-2019	A+	A1	Negative	Maintain	Yes
31-Dec-2018	A+	A1	Negative	Maintain	Yes
30-Jun-2018	A+	A1	Negative	Maintain	Yes

#### Rating Rationale and Key Rating Drivers

Sui Southern Gas Company Limited (SSGC) is amongst the two companies that possess the integrated license for transmission, distribution and sale of Natural Gas and RLNG. The Company being the sole operator in Sindh and Balochistan has been provided a guaranteed return by OGRA on its net operating assets. The Company's profitability is highly susceptible to aforesaid guaranteed return and the UFG losses that result from meter tampering, theft and leakages. Rigorous implementation of UFG reduction plan by the dedicated UFG division has proved to be fruitful in Sindh and Karachi. The Company has implemented a comprehensive strategy of dividing Karachi into sub-regions each having its own team for round the clock monitoring and management. As a result, UFG in the Karachi region has declined substantially to single digit figure (i.e., under 9%). Similar efforts are underway in interior Sindh which is showing steady progress towards UFG reduction. However, the Balochistan region remains under stress for its severely high UFG of above 50% resulting in a cumulative UFG for the Company to cross above its minimum benchmark which was prescribed at 6.97% for FY22 by OGRA. High UFG above the benchmark translates into huge losses for the Company. Furthermore, the recent gas tariff increase is expected to narrow the gas tariff differential and contribute towards cash flow generation. Timely settlement of pending receivables is also important as the Company's liquidity profile is significantly stretched. In addition, the Company is continuously working to diversify its business streams in order to manage/ earn Non-Operating Income. SSGC LPG (Pvt) Limited is a wholly owned subsidiary of SSGC engaged in LPG marketing and distribution across the country. The LPG market share of the company has increased to 7% owing to sold volumes. Furthermore, SSGC AE (Pvt) Limited is another venture by SSGC to bring unallocated gas through alternate ways to the customers on competitive terms. Due to the delayed OGRA decision on SSGC petition for the Final Revenue Requirement (FRR), the Company has recently published its audited financial statements for FY22 and AGM is planned to be held on December 29, 2023. After AGM, FRR process for FY23 will follow.

The Company's financial profile has deteriorated over recent years owing to consistent losses. The negative equity balance on the balance sheet has been reduced significantly as a result of revaluation of the land on the Company's balance sheet. The commitment from GoP to extend necessary financial support to the Company contributes towards the assigned ratings. Going forward, the timely publishing of financial statements along with consistency towards reduction of UFG remains crucial to sustain the ratings.

#### Disclosure

<b>Name of Rated Entity</b>	Sui Southern Gas Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Rating(Jul-23),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Rating Modifiers(Apr-23)
<b>Related Research</b>	Sector Study   Distribution   Gas(Jul-23)
<b>Rating Analysts</b>	Hashim Yazdani   hashim.yazdani@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Sui Southern Gas Company Limited (SSGC) was formed in 1989 as a result of merger of three pioneering companies, namely Sui Gas Transmission Company Limited, Karachi Gas Company Limited, and Indus Gas Company Limited. SSGC is listed on Pakistan Stock Exchange (PSX).

**Background** Sui Southern Gas Company (SSGC) is Pakistan's leading integrated public-limited large-scale natural gas utility Company. SSGC has been engaged in the business of transmission and distribution of natural gas and RLNG besides installation of high-pressure transmission and low-pressure distribution systems. Moreover, the company also has two wholly owned subsidiaries namely SSGC LPG (Pvt) Limited and SSGC AE (Pvt) Limited.

**Operations** SSGC is primarily engaged in the business of purchase, transmission, and distribution of natural gas and RLNG in its franchise area (Sindh and Balochistan), where it enjoys a monopoly position.. SSGC's transmission system comprises over 4,143 KM of high-pressure pipeline. The distribution activities covering over 160 cities and towns and 3,800 villages in Sindh and Balochistan. SSGC operates its own meter manufacturing plant that produces meters for local consumption along with some exports to international buyers.

## Ownership

**Ownership Structure** The Company is majority (~53%) owned by Government of Pakistan (GoP) through President of Pakistan. Additional 22% is held by GoP through corporates. Remaining 25% is held by General Public and other private corporations.

**Stability** The majority presence of GoP in the ownership is likely to remain stable over the foreseeable future due to the scope of business of the Company.

**Business Acumen** The business acumen is considered adequate.

**Financial Strength** Given the strategic importance of the company as an extended arm of the government for its socioeconomic policy implementation, support from the GoP is expected to be forthcoming in times of crisis.

## Governance

**Board Structure** The overall control of the Company vests with a seven-member board. The board largely comprises of government nominees representing independent nature of the members.

**Members' Profile** Dr. Shamsad Akhtar is the Chairperson. She has had a broad-based development career in leading national and multilateral organizations. Remaining members of the board are qualified professionals having experience in key areas like Corporate Strategy, Business Development, Oil and Gas, Investments, Banking, Financial Markets, Government Service, Economic Policy, Power and Petroleum.

**Board Effectiveness** The board has constituted seven committees, namely (i) Human Resource and Remuneration Committee, (ii) Audit Committee, (iii) Finance and Procurement Committee, (iv) Special Committee on UFG, (v) Risk Management, Litigation & HSEQA Committee (vi) Nomination Committee and (vii) Corporate Governance and Ethics Committee. The presence of board committees ensures effective oversight of the company's affairs and strengthening the board's governance role.

**Financial Transparency** M/s BDO Ebrahim & Co. are the external auditors of the company. The auditor gave a qualified opinion on the Company's financial statements for the year ended June 30, 2022 due to the outstanding receivable amounts and to the extent that they will be recovered from the related parties.

## Management

**Organizational Structure** The company has a well-defined and streamlined organizational structure ensuring clear segregation of duties through various functional departments headed by experienced resource.

**Management Team** SSGC has an experienced management team with majority of the senior management having long association with the Company. Mr. Muhammad Imran Maniar is the Managing Director. He is an accomplished professional with more than 30 years of strong track record in building, leading and advising private equity and corporations in mergers and acquisitions, restructurings, turnarounds, capital market transactions, logistics, upstream and midstream operations, oil field and engineering services.

**Effectiveness** The Company has appointed MDs, DMD, Senior Managers and General Managers for overseeing the various functions of the organization.

**MIS** SSGC has deployed an Oracle-e-Business suite as its Enterprise Resource Planning (ERP) solution. The solution facilitates in centralized management of the processes, methods and techniques.

**Control Environment** Various MIS reports are generated for the senior management on a daily basis. These include reports pertaining to gas supply & demand, pending connections, field activities, metering, customer billing, etc. However, UFG reports are submitted to the management on monthly basis and board on a quarterly basis.

## Business Risk

**Industry Dynamics** Pakistan has an extensive gas network of over ~13,775km transmission, ~157,395km distribution and ~41,352km services gas pipelines. During the 9MFY23 period, the two gas utility companies (SNGPL & SSGCL) had laid a ~225km gas transmission network, including ~1170km mains and ~63km services lines. The average natural gas consumption during 9MFY23 was recorded at ~28.1mln MT (SPLY: ~29.7mln MT), including ~6.3mln MT of imported RLNG (SPLY: ~ 7.5mln MT).

**Relative Position** SSGC supplied 837 MMCFD of Gas including Natural Gas and RLNG during FY22 (FY21: 942MMCFD) to the consumers in different industries including cement, fertilizer, Power, commercial along with domestic sector.

**Revenues** During FY22, the Company recorded revenues excluding tariff adjustments of PKR 299,629mln (FY21: 271,487mln) from the sale of Indigenous gas and RLNG net of taxes. Additionally, the Company recorded tariff adjustments on indigenous gas and RLNG of PKR 75,931mln (FY21: 24,642mln). Profitability of the company is derived from the Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed return on its average net operating fixed assets. However, OGRA makes disallowances/ adjustments while determining the revenue requirements based on efficiency related benchmarks viz a viz Un-accounted for Gas (UFG), Human Resource Benchmark Cost, Provision for Doubtful Debts and some other expenses/ charges. These disallowances/ adjustments affect the bottom-line of the Company. Company's profitability had been significantly impacted over the period on account of substantially high UFG disallowances and other matters pertaining to operating / non-operating income.

**Margins** During FY22, the company exhibited the sales growth of 26.8% including tariff adjustments. Gross Profit margin for the period stood at 2.1% as a result of pricing dynamics. However, Net Profit margin clocked in at -3.0% as a result of net loss during the period.

**Sustainability** Demand of natural gas continues to grow on the back of increasing requirements by commercial and domestic customers. However, given the supply side constraints and higher UFG losses, the industry is under constant pressure. Due to the growing gap in demand and supply of natural gas, the company has resorted to a gas load management plan to curtail the UFG losses.

## Financial Risk

**Working Capital** In recent years circular debt issue keeps on impacting the liquidity position of the company. Hence, the company has delayed its payments which impacted the payable days. However, with the unfolding of new strategies implemented by the leadership, company's receivables days shrink to 346 days (FY21: 427 days). Hence Gross Working Capital Days stood at 348 days (FY21: 431 days). Short term borrowings stood at PKR 23,878mln (FY21: PKR 23,751mln) on account of stretched working capital cycle of the company.

**Coverages** During FY22, the company's free cash flows from operations stood at PKR 3,587mln (FY21: 20,252mln). Hence, interest coverage (EBITDA/Finance Cost) and debt coverage (FCFO/Finance Cost) stood at 1.0x and 0.7x respectively. Going forward, the cashflows remain imperative for the Company to meet their interest expense and principal payments. Additionally, the Government has agreed to provide support to the Company considering its national importance.

**Capitalization** Since last few years, the company has high leveraged capital structure. Though, company is continuously shredding its borrowing book on back of reinvigorating policies to efficiently managed the new projects as well as the management of working capital. Thus, leveraging of the company is at 110.2% end-Jun 22. The equity base (FY22: PKR -4,479mln, FY21: PKR -22,172mln) of the company has witnessed drag on unappropriated profits due to the consistent losses in recent years. However, the recent revaluation of land amounting to PKR 30bln has resulted in a net positive impact on the equity.



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

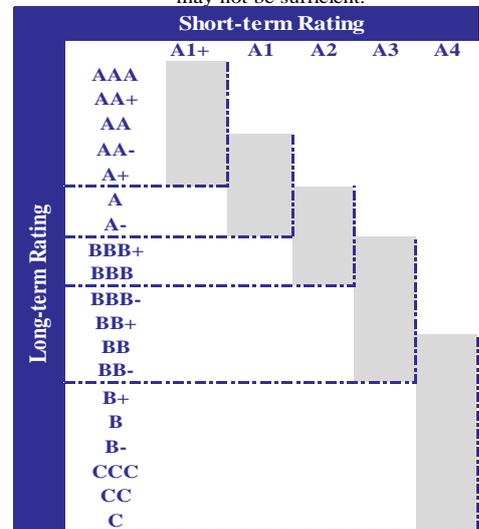
Sui Southern Gas Company Limited	Jun-22	Jun-21	Jun-20	Jun-19
Power	12M	12M	12M	12M
<b>A BALANCE SHEET</b>				
1 Non-Current Assets	178,560	139,033	134,769	129,945
2 Investments	152	283	311	1,425
3 Related Party Exposure	115,663	109,050	2,535	-
4 Current Assets	501,435	386,137	470,872	396,653
<i>a Inventories</i>	2,304	1,576	2,347	2,011
<i>b Trade Receivables</i>	406,389	305,801	387,404	356,850
5 Total Assets	795,810	634,503	608,487	528,023
6 Current Liabilities	701,170	557,952	539,091	436,391
<i>a Trade Payables</i>	661,493	518,603	521,364	417,609
7 Borrowings	48,410	53,957	53,059	63,052
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	50,708	44,765	40,027	36,603
10 Net Assets	(4,479)	(22,172)	(23,691)	(8,022)
11 Shareholders' Equity	(4,479)	(22,172)	(23,691)	(8,022)
<b>B INCOME STATEMENT</b>				
1 Sales	375,559	296,129	290,240	297,167
<i>a Cost of Good Sold</i>	(367,841)	(301,879)	(307,291)	(295,120)
2 Gross Profit	7,719	(5,750)	(17,051)	2,046
<i>a Operating Expenses</i>	(5,085)	(4,910)	(10,193)	(25,506)
3 Operating Profit	2,634	(10,660)	(27,243)	(23,460)
<i>a Non Operating Income or (Expense)</i>	(5,179)	16,414	15,429	13,398
4 Profit or (Loss) before Interest and Tax	(2,545)	5,754	(11,814)	(10,062)
<i>a Total Finance Cost</i>	(5,190)	(4,619)	(7,235)	(6,758)
<i>b Taxation</i>	(3,709)	820	(2,344)	(1,575)
6 Net Income Or (Loss)	(11,444)	1,956	(21,393)	(18,395)
<b>C CASH FLOW STATEMENT</b>				
<i>a Free Cash Flows from Operations (FCFO)</i>	3,587	20,252	1,294	973
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	(1,296)	14,958	(6,877)	(5,349)
<i>c Changes in Working Capital</i>	21,799	(5,431)	27,050	17,765
1 Net Cash provided by Operating Activities	20,503	9,527	20,173	12,416
2 Net Cash (Used in) or Available From Investing Activities	(12,384)	(10,427)	(8,769)	(9,485)
3 Net Cash (Used in) or Available From Financing Activities	(5,742)	(7,997)	(9,728)	(9,538)
4 Net Cash generated or (Used) during the period	2,377	(8,897)	1,676	(6,606)
<b>D RATIO ANALYSIS</b>				
1 Performance				
<i>a Sales Growth (for the period)</i>	26.8%	2.0%	-2.3%	67.5%
<i>b Gross Profit Margin</i>	2.1%	-1.9%	-5.9%	0.7%
<i>c Net Profit Margin</i>	-3.0%	0.7%	-7.4%	-6.2%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	6.8%	5.0%	9.8%	6.3%
<i>e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity )]</i>	42.9%	-4.3%	67.5%	797.0%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	348	431	471	360
<i>b Net Working Capital (Average Days)</i>	-225	-210	-120	-61
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	0.7	0.7	0.9	0.9
3 Coverages				
<i>a EBITDA / Finance Cost</i>	1.0	4.1	0.2	0.2
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	0.0	0.1	0.0	0.0
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	-154.6	14.4	-20.3	-18.7
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	110.2%	169.8%	180.7%	114.6%
<i>b Interest or Markup Payable (Days)</i>	1262.8	1354.6	878.9	1018.8
<i>c Entity Average Borrowing Rate</i>	10.2%	8.2%	12.3%	9.6%

### 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	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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	<b>High credit quality.</b> 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+	<b>Good credit quality.</b> 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+	<b>Moderate risk.</b> 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	<b>High credit risk.</b> 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	<b>Very high credit risk.</b> 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 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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