



## The Pakistan Credit Rating Agency Limited

### Rating Report

#### KTRADE Securities Limited | BFR

#### Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

#### Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
08-May-2026	BFR 2	Positive	Maintain	-
09-May-2025	BFR 2	Stable	Maintain	-
10-May-2024	BFR 2	Stable	Maintain	-
12-May-2023	BFR 2	Stable	Upgrade	-
12-May-2022	BFR 3++	Stable	Upgrade	-
26-May-2021	BFR 3+	Stable	Initial	-

#### Rating Rationale

Factor	Comment
<b>Ownership</b>	KTrade Securities Limited ("KSL" or "The Company") is majority-owned (~60%) by Oxford Frontier Capital. The remaining shares are held by Ms. Mubashira Bukhari Khwaja (~20%), CEO Mr. Mahmood Ali Shah Bukhari (~15%), and the rest by minor shareholders.
<b>Governance</b>	The Board comprises five members, the CEO and four independent directors, with three of them being female, ensuring strong gender-diverse oversight. All directors are seasoned professionals. To further strengthen governance, the Board has constituted four board-level committees.
<b>Management and Client Services</b>	KTrade lean 12 department structure spans seven branches, led by experienced professionals. Full system integration and digital-first client servicing via KASB app, JazzCash, and RAAST ensure real-time execution and seamless support.
<b>Internal Controls and Regulatory Compliance</b>	An effective internal control framework is supported by an outsourced internal audit function. The Company has also established requisite policies and procedures to maintain a strong control environment and ensure compliance.
<b>Business Sustainability</b>	KTrade topline is primarily driven by equity brokerage, supplemented by advisory services. During 1HFY26, the Company earned PKR 462 million in brokerage revenue (SPLY: PKR 211 million) and PKR 39 million from advisory services, reporting a net profit of PKR 303 million (SPLY: PKR 170 million).
<b>Financial Sustainability</b>	As of 1HFY26, KTrade equity rose to PKR 1,391 million (SPLY: PKR 597 million), reflecting stronger capitalization, with a Liquid Capital Balance of PKR 935 million.

#### Key Rating Drivers

The assignment of a Positive Outlook reflects meaningful progress across governance, financial strength, and operational scale. Four independent directors, three female, alongside a dedicated research function, strengthen governance depth and board-level oversight. Digital-first onboarding and seamless integrations with JazzCash and RAAST reinforce KTrade's technology, led retail positioning. The Company's financial profile has strengthened, driven by strong growth in brokerage revenue and a significant improvement in equity base. Moving forward, sustained revenue diversification and continued strengthening of fiduciary and risk management standards will remain key to maintaining this positive momentum.

#### Disclosure

<b>Name of Rated Entity</b>	KTRADE Securities Limited   BFR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Broker Fiduciary Rating (BFR)
<b>Applicable Criteria</b>	Assessment Framework   Broker Fiduciary Rating(Jan-26)
<b>Related Research</b>	Sector Study   Brokerage Firms(Feb-26)
<b>Rating Analysts</b>	Usama Ali   usama.ali@pacra.com   +92-42-35869504

## Profile

**Background** KTrade Securities Limited was incorporated as a Public Unlisted Company on April 25, 2013, and is a Trading Right Entitlement Certificate holder of the Pakistan Stock Exchange (PSX) and a member of the Pakistan Mercantile Exchange (PMEX). The Company traces its lineage to Khadim Ali Shah Bukhari Securities (KASB) one of Pakistan's oldest brokerage houses, established in 1952 and a pioneer in introducing electronic trading. The KTrade brand was formally relaunched in April 2018 under the leadership of Chairman Muhammad Ali Farid Khwaja and CEO Mahmood Ali Shah Bukhari, with a strategic pivot toward digital-first retail investing. Oxford Frontier Capital Limited, a UK-based fintech-focused firm, holds the majority shareholding (approx. 60%), underscoring strong sponsor backing. The Company operates through seven branches spanning major cities and serves a diverse client base via its flagship "KASB KTrade" mobile application. KTrade has forged strategic partnerships with JazzCash and the Central Depository Company's RAAST Aggregator Platform, and recently earned recognition as Top Emerging Broker at the PMEX Brokers Awards 2024, positioning it as a leading digitally-driven brokerage in Pakistan.

**Operations** KTrade's core operations encompass equity brokerage and advisory, complemented by commodity trading, corporate finance, and money market divisions. Through its flagship digital platform, KASB KTrade, the Company has democratized capital market access in Pakistan, offering real-time execution, portfolio management, virtual trading, and research-backed market insights. Strategic integrations with JazzCash (as a mini-app, leveraging 13 million+ active users) and CDC's RAAST Aggregator have streamlined fund transfers and account onboarding allowing Sahulat accounts up to PKR 1 million without proof of income. The Company also provides institutional investor access to equities, fixed income, forex, and commodities, reinforcing its position as a forward-thinking brokerage. With a growing retail base, a ~3.2% value-traded market share, and recognition as a leading UIN opener by PSX, KTrade's operations reflect a strong, tech-driven business model aligned with Pakistan's financial inclusion goals.

## Ownership

**Ownership Structure** KTrade's shareholding structure reflects concentrated yet stable ownership. Approximately 60% of shares are held by Oxford Frontier Capital Limited (OFC), a UK-registered fintech investment vehicle which is predominantly owned by Mr. Muhammad Ali Farid Khwaja, the former Chairman of KTrade. The remaining stakes are held by Ms. Mubashira Bukhari Khwaja (~20%), Mr. Mahmood Ali Shah Bukhari (current CEO, ~15%), and a minority float (~5%).

**Stability** Oxford Frontier Capital is the major shareholder of the Company whose majority shareholding lies with Mr. Muhammad Ali Farid Khwaja. Oxford Frontier Capital is a management consultant firm based in London, United Kingdom. The firm has experience in building, advising, and investing in technology companies that have scaled globally. Oxford Frontier Capital caters to financial technology industries. The firm is providing equity support to the Company to boost its growth. Also the sponsors' willingness to inject additional capital if required underscores financial backing and commitment to long-term growth.

**Business Acumen** KTrade's leadership demonstrates strong business acumen through a strategic blend of global institutional finance and local digital brokerage execution. CEO Mr. Mahmood Ali Shah Bukhari co-founded Pakistan's first NFT company (Blocktech) and pivoted KTrade from traditional to fintech-led brokerage ahead of peers, evidenced by his recognition as FinanceAsia's Best CEO in Pakistan (2022) and an Eisenhower Fellowship (2024). Ms. Mubashira Bukhari Khwaja, CFA, serves as Investment Director at abrdn (UK), managing billions in emerging market equities. This role gives her direct exposure to global capital cycles, valuation discipline, and sector rotation, insights she applies to KTrade's product strategy and risk positioning. Together, they have forged high-impact partnerships with JazzCash (13M+ users) and CDC's RAAST Aggregator, expanded commodity trading via PMEX, and strategically located seven branches across Pakistan. This ability to identify market gaps, seize first-mover fintech advantages, and convert institutional expertise into scalable retail products signals superior business acumen, a clear positive for KTrade's fiduciary sustainability.

**Financial Strength** The sponsors possess substantial net worth and are consistently injecting capital into the Company in line with the growing scale of operations. This also reflects their commitment to support the Company in the event of any financial requirements.

## Governance

**Board Structure** KTrade's Board comprises five members, one executive director (CEO) and four independent directors with Ms. Mariam Farid Khwaja serving as Independent Chairperson following the resignation of the former Chairman. The Board's composition materially exceeds typical brokerage governance standards, particularly given that 4 of 5 members (80%) are independent of the controlling shareholder family, creating strong separation between ownership and operational oversight, a critical fiduciary control. Independent directors include Ms. Mariam Farid Khwaja, Ms. Sara Saeed, Mr. Faisal Aftab and Ms. Farzana Yaqoob. The 4:1 independent-to-executive ratio provides robust checks on management decisions and ensures minority client interests are safeguarded.

**Members' Profile** KTrade's five-member Board comprises one executive (CEO) and four independent directors, ensuring strong oversight. Mr. Mahmood Ali Shah Bukhari (CEO, Co-founder) brings 12+ years of fintech leadership, recognized as FinanceAsia's Best CEO in Pakistan (2022) and Eisenhower Global Fellow (2024). Ms. Mariam Farid Khwaja (Independent Chair) is a High Courts advocate specializing in regulatory and media law; she secured Pakistan's first Direct-to-Home PayTV license. Mr. Faisal Aftab (Independent) is Founder of Zayn VC (MENA region), an Oxford MBA, with 15+ years in global fund investing. Ms. Farzana Yaqoob (Independent) is a former Minister of State, Eisenhower Fellow, and consultant in strategic governance and policy. Ms. Sara Saeed (Independent) is a former Minister of State, began at PwC, member of WEF's Young Global Leader Advisory Group, and Eisenhower Fellow. This composition expertise spanning law, VC, public policy, governance, and finance delivers robust independent judgment (80% non-executive), a key fiduciary strength for client asset protection and conflict mitigation.

**Board Effectiveness** To uphold an effective control environment and ensure strict compliance with applicable reporting standards, the Company has established four dedicated board committees (i) the Audit Committee, (ii) the Risk Management Committee, and (iii) the Human Resource and Remuneration Committee (iv) Nomination Committee. These committees play a pivotal role in strengthening corporate governance and supporting the board in key oversight functions.

**Financial** KTrade has appointed BDO Ebrahim & Co. Chartered Accountants as its external auditors. The firm holds an 'A' category ranking on the State Bank of Pakistan's panel of auditors, reflecting its strong professional credentials and compliance capabilities.

## Management And Client Services

**Organizational Structure** KTrade maintains a functional reporting structure with the CEO at the helm, supported by departmental heads across (i) Corporate Finance, (ii) Sales, (iii) Finance, (iv) Marketing, (v) Research, (vi) IT, (vii) HR, (viii) Money Market, (ix) Settlement, (x) Operations, (xi) Risk Management, and (xii) Compliance. This structure meets SECP's Code of Corporate Governance and supports swift strategic decision-making. The Company operates through seven branches across major cities and a centralized head office in Karachi, ensuring nationwide coverage. Organizational responsibilities are clearly delineated, reducing functional overlaps and enhancing accountability.

**Management Team** KTrade's senior management comprises 14 professionals overseeing 12 departments, all directly reporting to the CEO except Head of Settlement (reporting to CFO) and Manager Compliance (reporting to the Board). The team is led by CEO Mr. Mahmood Ali Shah Bukhari (University of Waterloo graduate, 16 years of experience, 14 with the group). Mr. Omar Saleh (CFA, 21 years) serves as MD – Corporate Finance, while Mr. Shaikh Zia Ur Rehman (26 years) heads Sales. The CFO, Mr. Muzaffar Iqbal (CA Finalist, CICA, CFA, 15 years), brings strong financial oversight. Research is led by Mr. Fawad Basir (15 years), IT by CTO Mr. Shahid Ali (22 years), and Money Market by Mr. Ahmed Junaid Nasir (16 years). Settlement is headed by Mr. Muhammad Shabbir (26 years), Operations by Mr. Syed Muhammad Khalid (26 years), and Risk Management by Mr. Ali Abbas (17 years, reporting to Chairman/CEO). Compliance is overseen by Mr. Mateen Musani (ACCA, 10 years, directly reporting to the Board). Marketing is co-led by Miss Mashal Khan (MD Marketing, 9 years) and Mr. Muhammad Hozaifa Ejaz (Associate Director, 13 years). HR is managed by Mr. Anis Memon (21 years). This composition reflects deep industry tenure (average 18+ years) and clear segregation of duties, reinforcing fiduciary controls.

**Client Servicing** From a fiduciary perspective, KTrade's client servicing framework supports digital-first onboarding across web, mobile app, and physical branches, complemented by multi-channel support (SMS, email, phone, WhatsApp). Seamless fund transfers are enabled through integrations with JazzCash (13 million+ users) and the CDC RAAST Aggregator, enhancing client convenience and operational efficiency. A dedicated customer support team, real-time reporting, and a strong research department further enhance client experience and informed decision-making.

**Complaint Management** The Company has an accessible complaint management system that offers multiple channels SMS, email, phone calls, and the website through which clients can register their concerns, reinforcing its commitment to service quality and client protection. The Audit Committee reviews customer grievances on a quarterly basis, ensuring board-level oversight of complaint resolution. This framework demonstrates KTrade's adherence to SECP and PSX regulations while promoting transparency and accountability in client interactions.

**Extent Of Automation / Integration** KTrade's digital backbone integrates front-end trading platforms (KASB KTrade app) with SECP-approved back-office systems, ensuring real-time execution and automated reporting. The integration with JazzCash (mini-app) and CDC's RAAST Aggregator streamlines account funding and retail onboarding. The system is designed to generate timely and accurate reports, enhancing operational efficiency. Additionally, it incorporates strong primary and secondary-level security measures to safeguard data integrity and protect against potential threats.

**Continuity Of Operations** The Company maintains daily data backups and a documented disaster recovery (DR) plan to ensure seamless business continuity in the event of a system failure or external disruption. Critical systems are backed up, and recovery procedures are periodically reviewed. The DR plan outlines clear protocols for quick recovery and minimal disruption, ensuring data integrity and the ability to swiftly restore operations if needed.

## Internal Controls And Regulatory Compliance

**Risk Management Framework** KTrade has established a dedicated Risk Management Committee at the Board level to oversee and assess the organization's risk appetite, policies, and controls, ensuring alignment with the Company's strategic objectives. The Committee regularly reviews market, credit, liquidity, and operational risks. A dedicated Head of Risk Management monitors client exposures, margin requirements, and counterparty risk. Daily reconciliation of client funds and segregation of client assets are performed. To further mitigate operational risks, the internal audit function has been outsourced to Afras & Co., providing independent oversight and enhancing the effectiveness of the Company's risk management framework

**Regulatory Compliance** The Risk Management & Compliance Department is responsible for the ongoing monitoring of controls and systems, ensuring that all operational functions adhere to established policies and procedures. This proactive oversight helps identify and address potential issues promptly, maintaining compliance and safeguarding operations. As a TREC holder of PSX and member of PMEX, KTrade complies with SECP's licensing requirements, anti-money laundering (AML) regulations, and exchange rules. The Board includes members with legal and regulatory expertise, strengthening the compliance culture, and the Company is subject to regular SECP and exchange audits. Notably, the Company's former Chairman, Mr. Muhammad Ali Farid Khwaja, has been appointed as a SECP Commissioner. While the current Board Chairperson, Ms. Mariam Farid Khwaja, is independent, this regulatory overlap warrants transparent disclosures and enhanced internal compliance safeguards to ensure perceived independence of oversight.

## Business Sustainability

**Operating Environment** The first half of FY26 witnessed a strong market rally, with the KSE-100 climbing steadily on the back of IMF program confidence, falling inflation, and aggressive local buying, peaking near 180,000 levels in early January 2026. However, the tide turned sharply in Q1 2026, as geopolitical tensions particularly the US-Iran conflict and crude oil prices surging above \$100 per barrel—triggered a sustained sell-off. The decline accelerated in March, with the index plunging 11.5% month-on-month to close at 148,743 points, its worst monthly performance in six years. Average daily volumes fell 37% to ~487 million shares, while traded value dropped ~30% to ~\$99 million. Foreign investors remained net sellers with estimated outflows of ~\$72 million during the quarter, though local institutions and individuals provided some support. Despite the correction, the brokerage industry reported revenues of PKR 110.0 billion and earnings of PKR 24.5 billion as of March 2026, with withholding tax collections from brokerage activities rising 20% to PKR 16.35 billion. Near-term upside remains limited by global oil prices, macroeconomic data, and IMF program developments. This volatile environment underscores the importance of KTrade's diversified revenue streams and conservative risk management.

**Performance** KTrade delivered a strong financial performance during 1HFY26, with total operating revenue reaching PKR 562 million (SPLY: PKR 345 million), reflecting a growth of ~63% year-on-year. Equity brokerage remained the dominant topline contributor, with revenue of PKR 463 million (SPLY: PKR 211 million), more than doubling over the same period last year on the back of expanded retail market share and a buoyant first-half market environment. Advisory services income grew materially to PKR 39 million (SPLY: PKR 11 million), reflecting the Company's deliberate push toward revenue diversification. Capital gains on listed investments of PKR 120 million (SPLY: PKR 33 million) and other income of PKR 99 million comprising profit on bank deposits, NCCPL margin income, and dividend income further reinforced overall earnings. On the cost side, administrative and operating expenses stood at PKR 356 million (SPLY: PKR 246 million), with the increase primarily driven by higher salaries and benefits, NCCPL charges, exchange recurring charges, and business promotion expenditure all reflective of the Company's expanding operational scale. Finance costs remained negligible at PKR 2 million, consistent with the Company's largely debt-free balance sheet. The Company reported a pre-tax profit of PKR 303 million (SPLY: PKR 170 million), translating into a pre-tax margin of 69% a significant improvement from 49% in the same period last year. Earnings per share stood at PKR 12.85 (SPLY: PKR 7.21), underscoring the strong earnings trajectory and the operating leverage inherent in KTrade's digitally-driven, scalable business model.

**Strategy** KTrade's strategic direction focuses on deepening retail penetration through the KASB KTrade mobile app and expanding into commodity trading via PMEX. Key initiatives include integration with JazzCash, leveraging CDC's RAAST Aggregator for faster onboarding, and educating retail investors to drive financial inclusion. The Company aims to capture a larger share of new UIN openings (recognized as a top firm by PSX) and increase its ~3.2% value-traded market share. Branch expansion across Pakistan complements digital channels. Concentrating on retail growth reduces reliance on institutional flows and positions the franchise for long-term value creation.

## Financial Sustainability

**Credit Risk** KTrade follows a well-defined risk management framework to monitor client exposures and mitigate potential credit losses. The Risk Management Department conducts daily margin monitoring through an integrated system that provides real-time alerts on client shortfalls and exposures. This enables timely intervention and strict adherence to SECP and PSX regulations regarding margin maintenance and exposure limits. Additionally, client securities are held in segregated CDC accounts, ensuring transparency and protection of client assets. The Company maintains a conservative risk appetite, avoiding undue exposure to high-risk clients and continuously reviewing internal risk controls to ensure prudent management of counterparty and settlement risks.

**Market Risk** KTrade's exposure to market risk primarily arises from fluctuations in equity and commodity markets, as well as its short-term investment portfolio. As of 1HFY26, the Company's short-term investments comprised approximately 99% listed securities and less than 1% money market mutual funds, reflecting a concentrated equity exposure that amplifies vulnerability to market downturns. The Investment and Risk Management Committees regularly review market positions, ensuring that exposures remain within defined risk thresholds. Despite the equity-heavy investment mix, KTrade's disciplined oversight and active monitoring mechanisms help mitigate market volatility risks and preserve financial stability.

**Liquidity Risk** As of 1HFY26, KTrade held cash and bank balances of PKR 853 million and short-term investments of PKR 315 million, providing strong near-term liquidity coverage. The ratio of liquid assets (cash + government securities) to total assets stood at ~0.23. Short-term running finance (PKR 11 million) represents minimal reliance on drawn bank lines. Trade payables increased to PKR 2,129 million, but these are matched by trade receivables due from NCCPL and clients within standard settlement cycles. The liquid buffer and matched settlement profile position the Company to meet margin calls and operational obligations even during market stress.

**Capitalization** KTrade's equity base expanded to PKR 1,391 million as of 31 December 2025 (SPLY: PKR 597 million), driven by the issuance of preference shares, advance against share subscription, and accretion to revenue reserves. Issued ordinary share capital stood at PKR 236 million, complemented by preference share capital and share premium. The Company's Liquid Capital Balance (LCB) stood at PKR 935 million, reflecting strong near-term liquidity and regulatory compliance. The Company has no long-term debt, with only minimal running finance outstanding. A revaluation surplus on intangible assets (TREC) and revenue reserves further bolster the equity cushion. The capital adequacy ratio substantially exceeds SECP's minimum requirements, providing a strong buffer against operational losses or market downturns. This improved capitalization supported by fresh equity injections and a strong LCB reinforces business growth and client asset protection.



THE PAKISTAN CREDIT RATING AGENCY

KTRADE Securities Limited  
PUBLIC UNLISTED LIMITED  
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

Dec-25 FY26 6M Management	Jun-25 FY25 12M Audited	Jun-24 FY24 12M Audited	Jun-23 FY23 12M Audited
------------------------------------	----------------------------------	----------------------------------	----------------------------------

BALANCE SHEET	
1 FINANCES	
2 INVESTMENTS	
3 OTHER EARNING ASSETS	
4 NON-EARNING ASSETS	
5 NON-PERFORMING FINANCES-net	
<b>TOTAL ASSETS</b>	
6 FUNDING	
7 OTHER LIABILITIES (NON-INTEREST BEARING)	
<b>TOTAL LIABILITIES</b>	
<b>TOTAL EQUITY</b>	

-	-	-	-
331.95	182.85	35.20	140.26
34.26	4.04	262.31	119.94
3,067.61	2,814.19	774.78	439.61
-	-	-	-
<b>3,433.81</b>	<b>3,001.08</b>	<b>1,072.29</b>	<b>699.80</b>
11.06	100.24	-	-
2,030.80	2,096.53	645.05	309.14
<b>2,041.86</b>	<b>2,196.77</b>	<b>645.05</b>	<b>309.14</b>
<b>1,391.96</b>	<b>804.30</b>	<b>427.24</b>	<b>390.67</b>

INCOME STATEMENT	
INCOME	
1 FEE BASED INCOME	
2 OPERATING EXPENSES	
3 NON-FEE BASED INCOME	
<b>TOTAL OPERATING INCOME (LOSS)</b>	
4 FINANCIAL CHARGES	
<b>PRE-TAX PROFIT</b>	
5 TAXES	
<b>PROFIT AFTER TAX</b>	

442.42	615.40	203.94	77.47
(355.60)	(530.17)	(333.48)	(226.05)
215.38	126.55	66.49	(38.41)
<b>302.20</b>	<b>211.78</b>	<b>(63.05)</b>	<b>(186.99)</b>
(1.80)	(1.50)	(0.66)	(0.92)
<b>303.91</b>	<b>265.13</b>	<b>50.80</b>	<b>(133.70)</b>
(1.67)	(38.07)	-	(1.45)
<b>302.24</b>	<b>227.06</b>	<b>50.80</b>	<b>(135.14)</b>

RATIOS	
BUSINESS SUSTAINABILITY	
1 PRE-TAX MARGIN	
2 EBITDA MARGIN	
3 EBIT RETURN ON ASSETS	

0.69	0.43	0.25	(1.73)
0.69	0.43	0.25	(1.71)
0.22	0.13	0.06	(0.18)

FINANCIAL SUSTAINABILITY	
1 TOTAL INVESTMENTS / EQUITY	
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	
4 TOTAL DEBT / TOTAL ASSETS	

0.24	0.23	0.08	0.36
0.67	0.66	0.56	0.30
0.10	0.06	0.35	0.37
0.00	0.03	-	-

## Broker Fiduciary Rating Scale & Definitions

An independent opinion on a broker's quality of management and client services, and the sustainability of operations

Scale	Definition
BFR 1	<b>Very Strong.</b> Very Strong quality of management and client services, and a very high likelihood of sustaining operations.
BFR 2++ BFR 2+ BFR 2	<b>Strong.</b> Strong quality of management and client service, and a high likelihood of sustaining operations
BFR 3++ BFR 3+ BFR 3	<b>Good.</b> Good quality of management and client service, and average likelihood of sustaining operations.
BFR 4++ BFR 4+ BFR 4	<b>Adequate.</b> Adequate quality of management and client service, and average likelihood of sustaining operations.
BFR 5	<b>Weak.</b> Weak quality of management and client service, and a weak likelihood of sustaining operations.

## Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)	Rating Watch	Suspension	Withdrawn	Harmonization
<p>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>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 the foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany the rating outlook of the respective opinion.</p>	<p>It is not possible to update an opinion due to a lack of requisite information. Opinion should be resumed in the foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>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.</p>	<p>A change in rating due to a revision in the applicable methodology or underlying scale.</p>

**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. Rating actions may include "maintain", "upgrade", or "downgrade".

**Disclaimer:** PACRA has used due care in the preparation of this document. Our information has been obtained from sources we consider to be reliable, but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

### **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)

### **Proprietary Information**

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent