



The Pakistan Credit Rating Agency Limited

# JAHANGIR SIDDIQUI & Co. LIMITED (JSCL)

## ENTITY RATINGS REPORT

	NEW [MAY-16]	PREVIOUS [JUN-15]
Long-Term	AA	AA
Short-Term	A1+	A1+
Outlook	Stable	Stable

REPORT CONTENTS
1. RATING ANALYSES
2. FINANCIAL INFORMATION
3. RATING SCALE
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MAY 2016

## Profile & Ownership

- Jahangir Siddiqui & Co. Ltd. (JSCL), successor to brokerage business started in early seventies by Mr. Jahangir Siddiqui, was established in 1991 and is listed on the Pakistan Stock Exchange (PSX).
- JSCL, JS group's holding company, has portfolio of investments categorized into a) subsidiaries & associates, b) available for sale, and c) Held for trading. Investments in the financial segment dominate the portfolio, with significant concentration in the banking and insurance sector.

## Governance

- JSCL's overall control vests in its eight members BoD. The eight member board includes two JS family members along with three other group nominees, including JSCL's CEO, and two independent directors. Chief Justice (R) Mr. Mahboob Ahmed is chairman of the BoD.
- The CEO, Mr. Suleman Lalani, FCA, carries over two decades of experience at key positions within the JS Group.

## Investment

- During CY15, JSCL offloaded its entire stake in Singer Pakistan Limited along with a majority stake of Hum Network Limited (HNL). Currently, JSCL holds 1.27% stake in HNL. JSCL partly offloaded its stake in PIBT (Dec15: 11.83%, Dec14: 21.07%) and realized a gain on its investment.
- During the year, JSCL increased its stake in the insurance and technology sector. In addition to that the company also subscribed to cash requirements pertaining to its investments in the banking sector.
- JSCL's short term investments primarily comprise equity market investments. The company has recently increased this exposure with intent to build sound investments trading portfolio.

## Risk Management Framework

- The investments oversight framework encompasses the structure whereby board members are represented on the boards of investee companies.
- The Investment Committee (IC), comprising CEO, CFO and Assistant Manager Investments, convenes regularly and presents investment dashboard, highlighting performance of investee companies, to the BoD on a quarterly basis.
- The performance presentation focuses on broad parameters wherein identification and evaluation of key factors affecting each entity are deliberated.

## Performance

- During CY15, JSCL witnessed a sizeable increase in its revenue stream due to a one-time gain of ~PKR 3 bln realized through sale of some of its investments.
- The company booked impairment charge on two of its stressed investments and observed rise in the overall operating expenses during the year.
- The rise in operating expenses is on account of an increase in the personnel expenses and a one-time donation of PKR 50 mln to a charitable trust for the purpose of CSR.

## Capital Structure

- During CY15, JSCL's witnessed an improvement in its equity on account of a right issue amounting to PKR 1.5 bln and sound profitability.
- The sound equity base resulted in a low leveraged capital structure for the company. The immaculate financial discipline supports the company ratings.

## Debt Instrument

- JSCL, to date, has issued eight TFCs out of these seven have been fully redeemed in a timely manner.
- The management has exercised call option to redeem 7th TFC in Apr-16.
- During Apr-14, JSCL issued the 8th TFC of PKR 750 mln with a tenor of 5 years.
- This year JSCL plans to issue its 9th TFC by private placement with a tenor of 5 years. This TFC will provide investors with an attractive spread with potential gains from movements in market rates. The Instrument is secured by pledge of securities, along with a margin of 35%.

## RATING RATIONALE

The ratings reflect JSCL's strong risk absorption capacity emanating from a sizeable investment portfolio mainly financed through equity. These are predominantly strategic in nature; notably most are listed with adequate liquidity. During the year, the company generated sizeable funds through a right issue and offloading some of its investments. The proceeds were utilized to meet the commitments and enhance the shareholding in the financial sector investments. The company has also built a non-strategic book of investments having a market value of ~PKR 2 bln along with sizeable cash placements. This includes a sizeable investment in a technology sector company. JSCL's financial profile continues to benefit from the ensuing dividend stream, though currently low, which is expected to increase with improving underlying entities. The company plans to build exposure in the power sector. The oversight framework for the strategic investments is improving. JSCL has a low leveraged capital structure.

## KEY RATING DRIVERS

The ratings are dependent on the company's ability to augment cash producers within its investment book. Diversification beyond financial sector may be beneficial. Immaculate financial discipline remains important for the ratings.

Profile – Board of Directors: Jahangir Siddiqui & Co. Ltd. (JSCL)						
Sr. #	Name of BOD Members [Qualification and Year of Birth]	Representation	Occupation	Other Key Experience	Committees	Participation in BOD Meetings during January to December (Total: 07)
1.	<p><b>Chief Justice (R) Mahboob Ahmed</b></p> <p>He graduated from the University of Punjab and in 1957 he completed his Bar. His year of birth is 1933.</p>	Chairman - Non Executive Director	Retired Person	<p>He practiced at the Bar Lahore High Court and Supreme Court of Pakistan for 20 years.</p> <p>Appointed as Judge of the Lahore High court in 1978 and became its Chief Justice in 1990-1991.</p>	Chairman – Human Resource and Remuneration Committee	06
2.	<p><b>Ali J. Siddiqui</b></p> <p>Mr. Siddiqui holds B.A. in Economics from Cornell University. His Year of birth is 1976.</p>	Non – Executive Director	Business	<p>Chairman – JS Private Equity</p> <p>Honoured by World Economic Forum as a Young Global Leader (2014)</p> <p>Executive Director – JS Investments Ltd. (2002-03)</p> <p>Director – Crosby, a Private Equity firm based in Hong Kong</p>	Member – Executive Committee	06
3.	<p><b>Ali Hussain</b></p> <p>He holds a Masters degree in Engineering from Stanford University. His year of birth is 1947.</p>	Director Representative of SAJ Capital Management Ltd.	Managing Director	<p>Has invested, owned and managed multiple technology and financial investment companies.</p> <p>Has managed operations of Hewlett Packard in California and Singapore.</p>	None	06
4.	<p><b>Munawar Alam Siddiqui</b></p> <p>Mr. Siddiqui holds an M. Sc. in Defence and Strategic Studies from Quaid-e- Azam University, an M. Sc. in Strategic Studies from Karachi University, a B. Sc. (Honours) in War Studies from Karachi University and B. Sc. Avionics from Peshawar University. His year of Birth is 1952.</p> <p>He was awarded Tamgha-e-Imtiaz (Military) and Sitara-e-Imtiaz (Military) in 1995 and 2003 respectively.</p>	Non – Executive Director	Service	<p>Retired as an Air Commodore from the Pakistan Air Force in 2003 and his last post was Assistant Chief of Air Staff (Administration) at Pakistan Air Force Headquarters.</p>	<p>Chairman – Executive Committee</p> <p>Member – Audit Committee</p>	06

5.	<p><b>Stephen Christopher Smith</b></p> <p>Mr. Smith qualified as a Chartered Accountant at Ernst &amp; Young, London</p> <p>He holds a Joint Honours degree in Economics and Mathematics from the University of Bristol.</p> <p>His year of birth is 1969.</p>	Non – Executive Director	Financier	<p>Has worked with Ernst &amp; Young and European Capital</p> <p>CFO and Secretary – Techpacific Capital</p>	Member – Audit Committee	06
6.	<p><b>Asad Ahmed</b></p> <p>B.Sc Information Technology - Focusing on Ubiquitous computing and Human Computer Interaction from Rochester Institute of Technology, Rochester New York .</p> <p>His year of birth is 1978.</p>	Independent, Non – Executive Director	Service	<p>He is the Product lead for Microsoft Office Division at Microsoft Gulf since June 2012.</p> <p>Previously, he has served as Marketing, Operation and Program Director Qatar from 2009 to 2012 at Microsoft and Enterprise Marketing lead at Microsoft Gulf, Dubai from April 2008 to June 2009.</p> <p>Prior to that he has worked in several roles within marketing leadership in Canada for Symantec Corporation.</p>	None	04
7.	<p><b>Suleman Lalani</b></p> <p>Mr. Lalani is a Fellow member of the Institute of Chartered Accountants of Pakistan.</p> <p>His year of birth is 1963.</p>	Chief Executive Officer	Business Executive	<p>Executive Director Finance &amp; Operations and Company Secretary – JS Investments Limited</p> <p>CFO &amp; Company Secretary – First Microfinance Bank</p>	<p>Member – Executive Committee</p> <p>Member – Human Resource and Remuneration</p>	07
8.	<p><b>Saud Ahmed Mirza</b></p> <p>He holds Master’s in Public Administration degree from Punjab University and a second Masters degree in Police Studies from the University of Exeter, UK</p> <p>His year of birth is 1954.</p> <p>He was awarded Tamgha-e-Imtiaz (Military) and Sitara-e-Imtiaz in 2008 and Quaid-e-Azam Police</p>	Independent, Non – Executive Director	Service	<p>He has served as Director General FIA, Ad. IG CID, CCPO Karachi, DIG at the CID, DIG Headquarters and DPO for Hyderabad and Sukkur.</p> <p>Mr. Mirza joined the police on March 23, 1979 and retired on January 31, 2014. He was appointed DG FIA on April 10th, 2013.</p>	Chairman – Audit Committee	07

Profile – Senior Management: Jahangir Siddiqui & Co. Ltd. (JSCL)						
Sr . #	Name (Qualification) [Year of birth]	Designation	Reporting Line	Experience		
				Overall	With the company	At current position
1	Suleman Lalani – FCA 1963	CEO	Chairman, Board of Directors	24 Years +	14 Years +	4 Years +
2	Hasan Shahid – MA (Eco), ACA & APA 1979	CFO & Company Secretary	CEO, Board of Directors, Audit Committee	15 Years +	10 Years +	CFO - 4 Years + CS – 2 Years +
3	Najmul Hoda Khan – MA (ECO), ACA & APFA 1984	Senior Manager	CEO & CFO	8 Years +	10 Months	10 Months
4	Kashif Naz – ACCA 1984	Manager Finance	Senior Manager & CFO	9 Years +	1 Year, 8 Months	1 Year, 8 Months
5	Shafquat Rasool Keerio – MBA 1982	Assistant Manager – HR	CEO	8 Years +	5 Years +	5 Years +
6	Muhammad Arsalan – ACCA, CFA-II 1990	Assistant Manager - Investments	CEO, Audit Committee	3 Years	3 Months +	3 Months +



## The Pakistan Credit Rating Agency Limited

### JAHANGIR SIDDIQUI & CO. LTD.

#### BALANCE SHEET

	31-Dec-15 <i>Audited</i>	31-Dec-14 <i>Audited</i>	31-Dec-13 <i>Audited</i>
<b>A. INVESTMENTS</b>			
1. Equity Securities			
a. Strategic Equity Investments			
i. Subsidiaries / Associates / Joint Ventures	6,541	6,980	5,537
ii. Others	15,785	15,340	6,412
	22,326	22,321	11,949
b. Equity Investments	2,259	54	199
	24,584	22,374	12,148
2. Debt Securities			
a. Government Securities	26	26	491
b. Listed Debt Instruments (TFCs, Preference Shares)	-	-	-
c. Un-Listed Debt Instruments and others	-	-	-
	26	26	491
<b>Total Investments</b>	24,610	22,400	12,639
<b>B. FINANCES</b>			
1. Loans	3	4	405
2. Others	-	-	-
3. <i>Less: Provisions</i>	-	-	-
<b>Total Finances</b>	3	4	405
<b>C. OTHER EARNING ASSETS</b>			
1. Deposits with Banks	2,000	135	1,539
2. Placements (including Reverse REPO)	-	-	-
<b>Total Other Earning Assets</b>	2,000	135	1,539
<b>D. TOTAL EARNING ASSETS</b>	<b>26,613</b>	<b>22,538</b>	<b>14,583</b>
<b>E. FIXED ASSETS</b>	10	9	10
<b>F. OTHER NON-EARNING ASSETS</b>			
1. Cash and Bank Balances	1	0	3
2. Deferred Tax Asset	-	-	-
3. Others	399	373	372
<b>Other Non-Earning Assets</b>	400	373	375
<b>G. TOTAL ASSETS</b>	<b>27,022</b>	<b>22,921</b>	<b>14,968</b>
<b>H. BORROWINGS</b>			
1. Current Maturity of long term loan	430	322	370
2. Banks and Other Financial Institutions (including REPO)	-	-	-
3. TFCs	957	894	659
4. Others	-	-	-
<b>Total Borrowings</b>	1,387	1,216	1,029
<b>I. OTHER LIABILITIES (Non-Interest Bearing)</b>			
1. Deferred Tax Liability	-	-	-
2. Dividend Payable	-	-	-
3. Others	332	241	170
<b>Total Other Liabilities</b>	332	241	170
<b>J. EQUITY</b>			
1. Share Capital			
a. Ordinary Shares	9,159	7,633	7,633
b. Preference Shares	-	-	-
	9,159	7,633	7,633
2. Reserves:			
a. Capital Reserve (Share Premium)	4,498	4,498	4,498
b. Revenue Reserve	-	-	-
c. Unappropriated Profit	1,139	(1,692)	(1,880)
	5,637	2,806	2,618
<b>Pure Equity</b>	14,797	10,439	10,251
3. Surplus/(Deficit) on Revaluation of Investments	10,505	11,025	3,518
<b>Total Equity</b>	25,302	21,464	13,769
<b>L. TOTAL LIABILITIES &amp; EQUITY</b>	<b>27,022</b>	<b>22,921</b>	<b>14,968</b>



## The Pakistan Credit Rating Agency Limited

### JAHANGIR SIDDIQUI & CO. LTD. INCOME STATEMENT

	<b>31-Dec-15</b> <i>Audited</i>	<b>31-Dec-14</b> <i>Audited</i>	<b>31-Dec-13</b> <i>Audited</i>
1. Capital Market and Related Operations			
a. Dividend Income	605	331	356
b. Gain on Sale of Investments	3,247	98	9
c. Surplus/(Deficit) on Revaluation of Investments	(0)	(0)	-
d. Provision for Diminution in Value of Investments	(439)	(10)	(63)
	3,413	419	302
2. Interest / Mark-up Earned			
a. Finances	0	0	0
b. Placements (including Reverse Repo)	74	-	-
c. Bank Deposits, Investments and others	95	62	232
	170	62	232
3. Other Operating Income			
a. Fees	-	-	-
b. Commission	1	3	6
c. Brokerage	-	-	-
d. Others	-	-	-
	1	3	6
<b>4. Total Operating Revenue</b>	<b>3,584</b>	<b>484</b>	<b>539</b>
5. Financial Charges	165	165	183
6. Total Net Revenue	3,419	319	356
7. Other Income / (Loss)	41	37	34
	3,460	356	390
8. Operating Expenses			
a. Personnel Expenses	107	32	81
b. Other Non-interest/Mark Up Expenses	199	96	92
	306	128	173
9. Pre-Tax Profit	3,154	228	217
10. Taxes	323	39	36
<b>11. Net Income</b>	<b>2,831</b>	<b>189</b>	<b>181</b>
12. Unappropriated Profit / (Loss) Brought Forward	(1,535)	(1,880)	(1,489)
13. Adjustments	-	-	-
14. Available for Appropriations	1,296	(1,692)	(1,308)
15. Appropriations			
a. Statutory Reserve	-	-	-
b. Capital Reserve	-	-	-
c. Revenue Reserve	-	-	-
d. Dividend	-	-	572
	-	-	572
<b>16. Unappropriated Profit/(Loss) Carried Forward</b>	<b>1,296</b>	<b>(1,692)</b>	<b>(1,880)</b>



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### JAHANGIR SIDDIQUI & CO. LTD.

#### RATIO ANALYSIS

	31-Dec-15	31-Dec-14	31-Dec-13
<b>A. PERFORMANCE</b>			
1. ROE ( <i>Average</i> )	22.5%	1.8% *	1.7%
2. ROA ( <i>Average</i> )	11.9%	1.0% *	1.2%
3. Personnel Expenses-to-Total Net Revenue	3.1%	10.0%	22.7%
4. Cost-to-Total Net Revenue	9.0%	40.1%	48.5%
5. Taxes / Pre-Tax Profit	10.3%	17.2%	16.7%
<b>B. CAPITAL ADEQUACY</b>			
1. Pure Equity / Total Assets (excluding surplus on re-valuation of Investments)	89.6%	87.8%	89.5%
2. Total Equity (including surplus on revaluation) / Total Assets	93.6%	93.6%	92.0%
3. Total Debt / Total Equity	5.5%	5.7%	7.5%
4. Total Debt / Pure Equity	9.4%	11.6%	10.0%
<b>C. FUNDING &amp; LIQUIDITY</b>			
1. Long-Term Debt / Total Debt	69.0%	73.5%	64.0%
2. Unsecured Debt / Total Debt	0.0%	0.0%	0.0%
3. LT Assets / LT Debt + Total Equity	85.1%	99.9%	84.5%
4. Earnings before Interest & Tax / Financial Charges	2010.9%	237.9%	218.4%
5. Liquid Assets / Total Debt (net of REPO)	1446.5%	1279.3%	839.9%
<b>D. GROWTH</b>			
1. Total Assets	32.4%	53.1%	-8.8%
2. Investments	25.2%	77.2%	-5.0%
3. Pure Equity	42.46%	1.8%	-3.7%

\* Annualized





## STANDARD 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.

<b>LONG TERM RATINGS</b>		<b>SHORT TERM RATINGS</b>
<b>AAA</b>	<p><b>Highest credit quality.</b> Lowest expectation of credit risk.</p> <p>Indicate exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.</p>	<p><b>A1+:</b> The highest capacity for timely repayment.</p> <p><b>A1:</b> A strong capacity for timely repayment.</p> <p><b>A2:</b> A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>C:</b> An inadequate capacity to ensure timely repayment.</p>
<b>AA+</b> <b>AA</b> <b>AA-</b>	<p><b>Very high credit quality.</b> Very low expectation of credit risk.</p> <p>Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</p>	
<b>A+</b> <b>A</b> <b>A-</b>	<p><b>High credit quality.</b> Low expectation of credit risk.</p> <p>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.</p>	
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	<p><b>Good credit quality.</b> Currently a low expectation of credit risk.</p> <p>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.</p>	
<b>BB+</b> <b>BB</b> <b>BB-</b>	<p><b>Speculative.</b> Possibility of credit risk developing.</p> <p>There is a possibility of credit risk developing, particularly as a result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met.</p>	
<b>B+</b> <b>B</b> <b>B-</b>	<p><b>Highly speculative.</b> Significant credit risk.</p> <p>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.</p>	
<b>CCC</b> <b>CC</b> <b>C</b>	<p><b>High default risk.</b> Substantial credit risk</p> <p>“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.</p>	
<b>D</b>	<p>Obligations are currently in default.</p>	

<p><b>Rating Watch</b></p> <p>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. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved with in foreseeable future, but may continue if underlying circumstances are not settled.</p>	<p><b>Outlook (Stable, Positive, Negative, Developing)</b></p> <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><b>Suspension</b></p> <p>It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b></p> <p>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, or e) the entity/issuer defaults.</p>
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**Disclaimer:** PACRA's ratings are an assessment of the credit standing of entities/issues 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.

[Rated Entity](#)

**Name of Rated Entity**  
**Sector**  
**Type of Relationship**

Jahangir Siddiqui & Co. Ltd  
 Investment Holding Company  
 Solicited

**Purpose of the Rating**

Independent Risk Assessment  
 Regulatory Requirement

**Rating History**

Dissemination Date	Long Term	Short Term	Outlook	Action
23-May-16	AA	A1+	Stable	Maintain
26-Jun-15	AA	A1+	Stable	Maintain
26-Jun-14	AA	A1+	Stable	Maintain
2-Oct-13	AA	A1+	Stable	Maintain
19-Jun-12	AA	A1+	Stable	Maintain
5-Jul-11	AA	A1+	Stable	Maintain

**Related Criteria and Research**

Rating Methodology

Holding Company

**Rating Analysts**

Aman Zafar <a href="mailto:aman.zafar@pacra.com">aman.zafar@pacra.com</a> (92-42-35869504)	Rai Umar Zafar <a href="mailto:rai.umar@pacra.com">rai.umar@pacra.com</a> (92-42-35869504)
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[Rating Team Statement](#)**Rating Procedure**

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)**Rating Shopping**

PACRA maintains principle of integrity in seeking rating business.

PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public 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.

**Conflict of Interest**

PACRA, the analysts involved in the rating process, and members of its rating committee do not have any conflict of interest relating to the credit rating done by them

The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest

The analysts and members of the rating committees including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Officer PACRA

The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This is, however, not applicable on

investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees

PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it. In such

cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities

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 ii) fee mandate - signed with the payer, which can be different from the entity

PACRA ensures that the credit rating assigned to an entity or instrument should 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

**Surveillance**

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

**Reporting of Misconduct**

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

**Confidentiality**

PACRA has framed a confidentiality policy to prevent abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties

Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance

PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter

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