



The Pakistan Credit Rating Agency Limited

## Rating Report

### MACPAC Films Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
15-Dec-2023	BBB+	A2	Stable	Upgrade	-
16-Dec-2022	BBB	A2	Stable	Maintain	-
17-Dec-2021	BBB	A2	Stable	Upgrade	-
05-Oct-2021	BBB-	A3	Stable	Maintain	-
05-Oct-2020	BBB-	A3	Stable	Maintain	-
08-Oct-2019	BBB-	A3	Stable	Downgrade	-
08-Apr-2019	BBB	A2	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The ratings reflect MACPAC Films Limited's ("MACPAC" or the "Company") established position within the Biaxially Oriented Polypropylene (BOPP) segment of the industry. Over the period, the Company has established an adequate business profile and now increasing its footprints in the Cast Polypropylene (CPP) segment as well. The Company's progress is based on an approach that prioritizes customer relationships, corporate governance, ethics in business relations, commitment to employees, and the larger ESG agenda. Since Jun'20 the Company has shown consistent growth in net revenue. The sales strategy of the Company focuses on creating an optimum sales mix in the domestic market and to penetrate into the export market as the opportunity arises. Enhanced overall sales growth by 32% coupled with higher prices on the back of value-added films have contributed to a top-line of PKR 5.5bln as of the end of Jun'23 (Jun'22: PKR 4.17bln). The Company maintained healthy margins and profitability despite its raw materials being sensitive to exchange rate volatility. The profit after tax increased by 106% and was reported at PKR 379mln for the period Jun'23 (Jun'22: PKR 184mln). To cater to the exchange rate risk the Company has built up sufficient inventory so that customer demand can be managed comfortably with minimized cost. As per management representation, the Company approximately holds 11% market share. Product utilization of the Company is mainly linked with foods and consumer products. During FY23, the capacity utilization slightly declined to ~81% (FY'22: ~82%) due to a shift to high-margin product mix. The Company is also partnering with The Green Ark Sustainability (Pvt.) Limited (TGA) to support the ESG initiative of providing the recycling solutions for post-industrial and post-consumer plastic waste.

Over the period, the Company has successfully managed to reduce its leverage to 13.6% as of Jun'23 (Jun'22: 26.4%). The factors contributing towards low-leverage capital structure are i) Efficient management of working capital by managing advance terms with trade debtors and re-negotiating the terms with suppliers and ii) paying off the long-term debt which was related to expansion activities. The improved working capital management has resulted in the growth of the company's Free cash flows from operations (FCFO) to PKR 915mln in FY23 (FY'22: PKR 427mln).

The ratings are dependent upon the company's ability to sustain its healthy business profile amidst strong competition, while, effective and prudent management of financial risk indicators remains important. Moreover, upholding of governance framework is vital.

#### Disclosure

<b>Name of Rated Entity</b>	MACPAC Films 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   Paper and Packaging(Nov-23)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Legal Structure** MACPAC Films Limited was incorporated as a Public Limited Company in 1993. The Company is listed on Pakistan Stock Exchange.

**Background** The Company started commercial production of Biaxially-Oriented Polypropylene (BOPP) films in 1995. In 2003, the Company set up a new plant for Cast Polypropylene (CPP) films to diversify its existing product range. After a fire incident in 2007, the Company had to halt the manufacturing of the CPP line. In 2014, the company was able to install a Metalizer plant for BOPP films, which started its commercial production in 2015. In 2017, the Company started to reinstall the CPP manufacturing line which became commercially operational in Jan-19.

**Operations** MACPAC Films Limited is considered to be the pioneer of Biaxially - Oriented Polypropylene (BOPP) and Cast Polypropylene (CPP) films in Pakistan, with rich experience and a strong brand identity. Keeping in view the market dynamics for transparent, matte, pearlized and metallized films; the Company manufactures them in different varieties and thicknesses - ranging from 10 to 40 microns

## Ownership

**Ownership Structure** MACPAC Films is primarily owned by the Elahi family (47.65%). Among the sponsoring family, major ownership vests with Mr. Ehtesham Maqbool Elahi (16.60%), Mr. Shariq Maqbool Elahi (15.45%) and Mr. Habib Maqbool Elahi (15.45%). Munshi family has an ownership stake of (15.35%) in the Company. The GOP through Employees Old Age Benefit owns a (7.87%) stake in MACPAC. The Company has a free float of 35%.

**Stability** Ownership of the business is seen as stable as the major ownership vests with the Elahi family. The second generation of the family has been fully inducted into the business for many years.

**Business Acumen** The sponsors through their vast experience, have become reliable partners for the packaging industry, by making the Company consistently comply with the standards of high quality.

**Financial Strength** MACPAC Films is a stable business entity. The Company's sister concern Toyo Packaging (Pvt.) Limited also has a broad portfolio of customers. This strong forward integration strengthens the customers bond and gives a competitive edge through strong supply chain support.

## Governance

**Board Structure** MACPAC Films BoD comprises two Independent Directors, three Non-Executive Directors and two Executive Directors.

**Members' Profile** The BoD, with the diversified background and expertise of its members, is a key source of oversight and guidance for the management. Board's Chairman, Mr Naeem Munshi (Non - Executive Director) has been associated with the Company since its inception.

**Board Effectiveness** The minutes of the BoD meetings are well documented and circulated on time. To ensure effective governance, the Board has formed two committees, namely Audit Committee and Human Resource and Remuneration Committee

**Financial Transparency** The Audit Committee ensures the accuracy of the Company's financial records and internal controls. MACPAC Films' external audit of June 23 was completed by M/s KPMG Taseer Hadi and they expressed an unqualified opinion on the financial reports for FY23.

## Management

**Organizational Structure** To perform well, MACPAC Films maintains a structured organogram. The Company operates through a Supply Chain, Sales and Marketing, Finance, Internal Audit, Human Resources, Information Technology and Administration.

**Management Team** MACPAC Films Limited has a set of experienced & professional management. The Company's CEO, Mr. Najam ul Hassan is associated with MACPAC Films since 2017. He has extensive experience of two decades in different sectors and also served as COO of the company

**Effectiveness** Management's effectiveness and efficiency is being ensured through the presence of management committees. At Macpac, management committees are in place, in line with best industry practices.

**MIS** MACPAC Films manufacturing facilities in Port Qasim are connected with the Company's Head Office in Karachi through an ERP. To facilitate the management, various reports related to Finance, Sales, HR, Production and Import are generated on a daily and monthly basis. The company is in process of migrating to SAP, in early January next year.

**Control Environment** The Company has an internal audit function in place, which provides an effective mechanism for the identification, assessment and reporting of all types of risks arising out of the business operations. This function provides support, guidance and monitoring of the internally placed SOPs along with conducting Gap Analysis for evaluating already placed policies and procedures.

## Business Risk

**Industry Dynamics** A major challenge faced by the sector is prices and availability of raw materials specifically polymers such as polypropylene, & polyethylene. The packaging industry uses variants of Polymer Resin to manufacture BOPP and CPP films. Polymers' prices are largely a function of global crude oil prices, demand-supply dynamics and exchange rate volatility. The recent market dynamics of the cost base of raw materials for the company represented a rising trend since FY22. This coupled with the significant depreciation of the currency would be expected to lead to higher raw material prices and thus create pressure on margins going forward. If the cost of raw material with predictable exchange rates sustained, it will produce better profitability and margins for the industry in future.

**Relative Position** MACPAC Films holds a moderate market share of 11% in the BOPP and CPP films segment collectively.

**Revenues** The Company generates revenue through the sale of BOPP and CPP films in the local market. BOPP comprises 65.4% while CPP contributes 34.6% of total sales volume during FY23. The sales strategy of the Company focuses on creating an optimum sales mix in the domestic market and to penetrate into the export market as the opportunity arises. Enhanced overall sales growth by 32% coupled with higher prices on the back of value-added films. The Company's topline shows an increasing trend. During FY23, the Company generated a topline of PKR 5.054bln vs PKR 4.174bln during FY22. The Company makes sales directly to B2B customers and the top ten customers generally account for ~50% of revenues.

**Margins** In FY23, the gross margin and operating margin both increased as compared to FY22. The GP margin increased from ~14.6% in FY22 to ~ 23.8% in FY23 while the OP margin increased from ~ 9.6% to ~ 18.3% during the same period. The main reason for the increase in profitability ratios is attributable to the rise in the sales of the company as well as exchange rate fluctuations. Consequently, the net profit margin also increased from ~ 4% to ~ 7% during the same period. The Company posted a net profit of ~PKR 379m in FY23(FY'22: ~PKR 184m).

**Sustainability** MACPAC Films' competitive position been sustained during FY23, partnering with The Green Ark Sustainability (Pvt.) Ltd, MACPAC supports the ESG initiative of providing the recycling solutions for post-industrial and post-consumer plastic waste.

## Financial Risk

**Working Capital** In FY23, the Company's inventory days increased to ~74 days from ~73 days in FY22. A slight increase in inventory days may be attributable to an increase in production to capture the market and also to an increase in Finished goods inventory days. Meanwhile, trade receivable days also increased to ~50 days from ~48 days, However, trade payable days increased to ~43 days from ~37 days during the same periods. Consequently, the Company's net working capital days decreased to ~81 days from ~84 days at the end of FY23, compared to ~ 55 days at the end of FY21. The slight decrease in net working capital days shows moderate working capital management.

**Coverages** In FY23, the Company's FCFOs stood at ~PKR 915m increasing from ~PKR 427m in FY22. The FCFO/Finance cost also showed an increase from ~5.7x of coverage at the end of FY22 to ~ 9.1x at the end of FY23; however, this is still a healthy coverage level for the Company. While the Company does take on short-term financing from financial institutions, the strategy is to keep the Company mainly equity-financed, thus the finance cost is planned to be on a manageable scale moving forward.

**Capitalization** MACPAC Films has a low-leveraged structure, with long-term liabilities being ~19% of equity at the end of FY23 and ~16% of equity at the end of FY22. Its gearing ratio has decreased from ~26% at the end of FY22 to ~13.6% at the end of FY23, indicating that while the Company does have debt, it is not increasing its debt ratio currently and is instead relying more on organic growth.



The Pakistan Credit Rating Agency Limited

Summary  
PKR mln

MACPAC Films Limited Paper & Packaging	Sep-23 3M	Jun-23 12M	Jun-22 12M	Jun-21 12M
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#### A BALANCE SHEET

1 Non-Current Assets	1,946	1,898	1,969	1,929
2 Investments	-	-	-	-
3 Related Party Exposure	-	-	-	-
4 Current Assets	2,749	2,720	2,078	1,283
<i>a Inventories</i>	1,240	1,166	1,063	609
<i>b Trade Receivables</i>	857	860	655	433
<b>5 Total Assets</b>	<b>4,694</b>	<b>4,618</b>	<b>4,047</b>	<b>3,211</b>
6 Current Liabilities	2,093	2,093	1,720	948
<i>a Trade Payables</i>	679	714	594	244
7 Borrowings	354	298	565	638
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	327	334	185	230
<b>10 Net Assets</b>	<b>1,921</b>	<b>1,893</b>	<b>1,577</b>	<b>1,395</b>
<b>11 Shareholders' Equity</b>	<b>1,921</b>	<b>1,893</b>	<b>1,577</b>	<b>1,395</b>

#### B INCOME STATEMENT

1 Sales	1,462	5,505	4,174	3,025
<i>a Cost of Good Sold</i>	(1,121)	(4,194)	(3,563)	(2,531)
<b>2 Gross Profit</b>	<b>341</b>	<b>1,311</b>	<b>611</b>	<b>495</b>
<i>a Operating Expenses</i>	(101)	(302)	(209)	(177)
<b>3 Operating Profit</b>	<b>240</b>	<b>1,010</b>	<b>402</b>	<b>318</b>
<i>a Non Operating Income or (Expense)</i>	(15)	(175)	(46)	47
<b>4 Profit or (Loss) before Interest and Tax</b>	<b>225</b>	<b>834</b>	<b>357</b>	<b>366</b>
<i>a Total Finance Cost</i>	(33)	(134)	(94)	(92)
<i>b Taxation</i>	(75)	(321)	(78)	(87)
<b>6 Net Income Or (Loss)</b>	<b>117</b>	<b>379</b>	<b>184</b>	<b>187</b>

#### C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	251	915	427	522
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	218	776	336	422
<i>c Changes in Working Capital</i>	(234)	(377)	10	(205)
<b>1 Net Cash provided by Operating Activities</b>	<b>(16)</b>	<b>399</b>	<b>346</b>	<b>217</b>
<b>2 Net Cash (Used in) or Available From Investing Activities</b>	<b>(135)</b>	<b>(66)</b>	<b>(173)</b>	<b>(97)</b>
<b>3 Net Cash (Used in) or Available From Financing Activities</b>	<b>3</b>	<b>(144)</b>	<b>(110)</b>	<b>(123)</b>
<b>4 Net Cash generated or (Used) during the period</b>	<b>(148)</b>	<b>189</b>	<b>63</b>	<b>(3)</b>

#### D RATIO ANALYSIS

<b>1 Performance</b>				
<i>a Sales Growth (for the period)</i>	6.2%	31.9%	38.0%	39.7%
<i>b Gross Profit Margin</i>	23.3%	23.8%	14.6%	16.4%
<i>c Net Profit Margin</i>	8.0%	6.9%	4.4%	6.2%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	1.2%	9.8%	10.5%	10.5%
<i>e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sh</i>	24.5%	21.9%	12.4%	14.3%
<b>2 Working Capital Management</b>				
<i>a Gross Working Capital (Average Days)</i>	129	124	121	93
<i>b Net Working Capital (Average Days)</i>	85	81	84	55
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	1.3	1.3	1.2	1.4
<b>3 Coverages</b>				
<i>a EBITDA / Finance Cost</i>	10.6	10.2	6.8	6.2
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	6.5	6.0	2.0	2.4
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	0.1	0.1	0.6	0.7
<b>4 Capital Structure</b>				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	15.6%	13.6%	26.4%	31.4%
<i>b Interest or Markup Payable (Days)</i>	25.0	24.3	54.4	34.9
<i>c Entity Average Borrowing Rate</i>	21.9%	20.1%	11.8%	11.2%

### 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+	
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-	
BB+	
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-	
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	
CC	<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.
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

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- (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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