

MACPAC Films Limited

RATING REPORT | DEC-25



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Rating History

Dissemination Date	Long-Term Rating	Short-Term Rating	Outlook	Action	Rating Watch
16-Dec-25	BBB+	A2	Stable	Maintain	-
16-Dec-24	BBB+	A2	Stable	Maintain	-
15-Dec-23	BBB+	A2	Stable	Upgrade	-
16-Dec-22	BBB	A2	Stable	Maintain	-
17-Dec-21	BBB	A2	Stable	Upgrade	-

About the Entity

MACPAC Films Limited, incorporated as a Public Limited Company in 1993, is listed on the Pakistan Stock Exchange. Ownership is primarily held by the Elahi family (~47.65%), with major stakes distributed as follows: Mr. Shariq Maqbool Elahi (~15.45%), Mr. Habib Maqbool Elahi (~15.45%), and Mr. Ehtesham Maqbool Elahi (~16.60%). The Munshi family owns 14.85%, while the remainder is held by financial institutions, and the general public, with a free float of approximately 33.4%.

Rating Rationale

The ratings reflect MACPAC Films Limited's ("MACPAC" or the "Company") stable market position, sound governance structure, and an experienced management team. MACPAC is predominantly engaged in the manufacturing of Biaxially Oriented Polypropylene (BOPP) and Cast Polypropylene (CPP) films, with production primarily tied to the demand for food products and other consumer goods. The raw material of the finished product is majorly imported hence, exposed to exchange rate risk. To manage exchange rate risk, the Company has built sufficient inventory to meet customer demand efficiently and cost-effectively. Pakistan's paper and packaging industry has faced margin pressures due to rising energy costs and inflationary impact, which increased the cost of sales and impacted profit margins. Despite these challenges, demand for packaging from the FMCG and food sectors is expected to sustain moderate production growth, with the industry outlook remaining stable, supported by sustainability initiatives and recycling trends. Despite economic headwinds, MACPAC preserved its market share by prioritizing quality and customer retention, ensuring stability. To further strengthen its market positioning, MACPAC Films Limited has commissioned a new Thermal Lamination Film machine. The facility applies a thin protective plastic layer to printed materials, enhancing durability and visual quality by guarding against moisture, abrasion, and environmental wear. The facility became operational in April'25. The Company operates with an installed capacity of 15,000 MT in BOPP and 7,000 MT in CPP, maintaining a combined capacity of 22,000 MT in FY25. During the year, BOPP operated at a utilization level of 77%, while CPP achieved 80%, resulting in an overall utilization rate of 78%.

On the business profile side, during FY25, MACPAC Films Limited achieved a topline of PKR 5,994mIn, marking an increase of about ~6.7% compared to PKR 5,619mIn in FY24 due to an increase in prices. Whereas, it stood at PKR 1,372mIn at the end of 3MFY26. Gross profit margins declined to 11.5% during FY25 (FY24: 16.5%) and 12.8% during 3MFY26. However, the profitability of the Company declined to PKR 85mIn (FY24: PKR 258mIn) during FY25 and loss of PKR 19mIn during 3MFY26 primarily due to elevated energy cost and the inflationary impact, which eroded margins despite stable revenues. During the 3MFY26, maintenance activities were conducted to ensure efficiency and operational excellence. Although production levels were slightly lower during the maintenance period, the activities are expected to deliver significant benefits through enhanced operational efficiency and improved productivity in the coming quarters, thereby supporting sustained growth and profitability. Further, to mitigate profitability challenges, the Company is transitioning to alternate energy solutions. As of FY25, the Company's leverage increased to 25% (FY24: 15.9%), driven by higher borrowings mainly incurred for the thermal lamination machine and the solar panels installation. The equity of the Company remained intact at PKR 2.2bIn (FY24: PKR 2.2bIn).

Key Rating Drivers

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.

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- Methodology | Corporate Rating | Jul-25



RELATED RESEARCH

- Sector Study | Paper and Packaging | Nov-25



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Dec-25

MACPAC Films Limited

RATING ANALYSIS



Profile

Legal Structure	MACPAC Films Limited ("MACPAC" or the "Company") was incorporated as a Public Limited Company in 1993. The Company is listed on the Pakistan Stock Exchange (PSX).
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 ventured 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, pearized and metallized films; the Company manufactures them in different varieties and thicknesses - ranging from 10 to 40 microns. The Company maintained a stable installed capacity base of 22,000 metric tons across both BOPP and CPP lines during FY24 and FY25. For FY25, total utilized capacity stood at 17,102 MT with an overall utilization rate of 78%. The BOPP line sustained a consistent utilization level of 77% in both years. Whereas, the CPP segment experienced utilization rate of 80% in FY25. For further diversification in product portfolio, MACPAC Films Limited installed a new machine of "Thermal Lamination Film". Through this machine, a thin layer of plastic film is applied to printed materials, creating a durable, protective barrier. This not only enhances the visual appeal but also shields against moisture, abrasion, and environmental damage.

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 (14.85%) in the Company.
Stability	Ownership remains stable, with the Elahi family retaining majority control of the business. The second generation has been actively involved for several years, ensuring continuity, sustained strategic direction, and a smooth succession framework within the organization.
Business Acumen	Leveraging their extensive industry experience, the sponsors have established themselves as trusted partners in the flexible packaging films sector, driving the Company's consistent adherence to high quality standards.
Financial Strength	MACPAC Films is a financially sound business entity. Macpac Films Limited is part of the Mac Corp. Its related parties include Toyo Packaging (Private) Limited, MAC Business Solution (Private) Limited, TGA Sustainability (Private) Limited, Mac Properties (Private) Limited, and Ugao Agritech (Private) Limited. These associations provide opportunities for synergies, resource optimization, and diversification within the group. This strong forward integration strengthens the customers bond and gives a competitive edge through strong supply chain support.

Governance

Board Structure	The Company has a seven-member Board comprising two independent directors, three non-executive directors and two executive directors including CEO. The Board is chaired by non-executive director Mr. Naeem Munshi.
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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 Chairperson, Mr Naeem Ali Muhammad Munshi - Non Executive Director has been associated with the Company since its inception. Mr. Ehtesham Maqbool Elahi - Executive Director is an alumnus of American university in Dubai and a certified Director from PICG, having around two decades of experience of senior level managerial positions in multiple associated companies of MACPAC Films Limited. Mr Shabbir Hamza Khandwala - Independent Director is a fellow member of the Institute of Chartered Accountants of Pakistan and carries with him 40 years of diversified experience of various sector. He is a Chairperson of Board's audit committee as well. He has been the CFO & Group head finance of Meezan bank from March 2005 to September 2022. Ms Hafsa Abbasy - Independent Director is a seasoned HR professional, having worked for some of the renowned financial institutions, namely (Citi Bank, ABN Amro, Standard Chartered). She is also chairperson of Human Resources & Remuneration Committee. Mr Shariq Maqbool Elahi - Non Executive Director is also a member of the Board Audit Committee and the HR & Remuneration Committee. He is also director of multiple associated companies of MACPAC Films Ltd. Mr Fahad Munshi - Non Executive Director hold a bachelor's degree from Bently University in Waltham. He has over 10 years of experience as Head of Operations of Hilal Foods and currently associated as MD of Hilal Foods.
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 i) Audit Committee and ii) Human Resource and Remuneration Committee
Financial Transparency	The Audit Committee ensures an accurate reflection of the Company's financial performance, and effectiveness of the internal controls in place. The external auditors, M/s KPMG Taseer Hadi & Co classified in the "A" category on the SBP's panel of auditors, have issued an unqualified opinion on the Company's financial statements for the period ended FY25.

Management

Organizational Structure	To perform well, MACPAC Films maintains a structured organogram. The Company operates through various departments 1) Supply Chain department, 2) Sales and Marketing department, 3) Finance department, 4) Internal Audit department, 5) Human Resource department, 6) Information Technology and 7) Administration department.
Management Team	MACPAC Films Limited has a set of experienced & professional management. Mr. Najm ul Hassan - CEO is associated with MACPAC Films since 2017. He has extensive experience of two decades in different sectors and prior to assuming the CEO slot, he also served as COO of the Company. Mr. Shahzaib Tariq - CFO has been appointed in replacement of Mr. Faisal Panawala w.e.f January 16, 2025. Previously, he served as CFO and Company Secretary of OBS AGP (Pvt.) Ltd from 2021 to 2024. Mr. Shahzaib is a Chartered Accountant with over a decade of experience in Finance and Audit, having worked with multiple reputable companies.
Effectiveness	Management's effectiveness and efficiency is being ensured through the presence of management committees. At MACPAC Films Limited, 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 support management, the Company generates various reports on Finance, Sales, HR, Production, and Import on a daily and monthly basis. The SAP (S/4HANA) is live to enhance operational efficiency. Additionally, the Sales Force System is also live since Oct-23, to enhance customer relation management.
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.

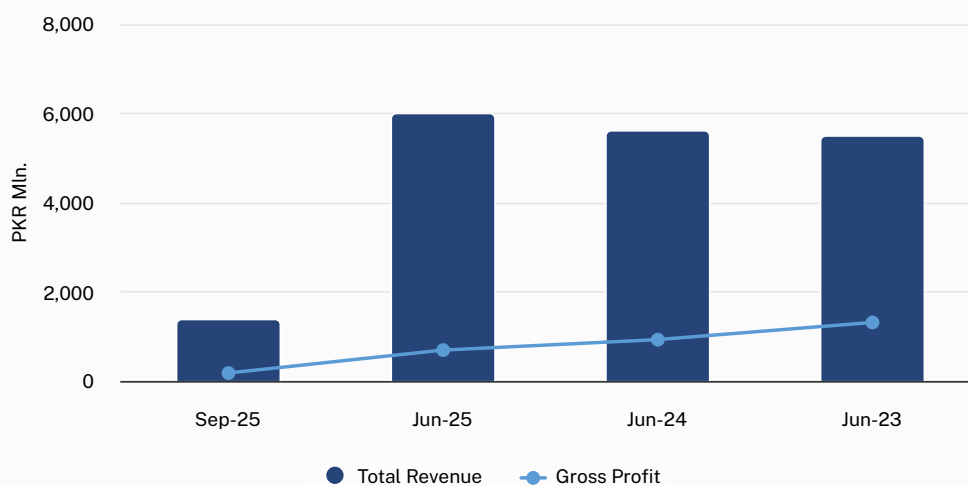
Business Risk

Industry Dynamics

The packaging industry in Pakistan is categorized into primary segments: 1) paper, 2) plastic, 3) tinplate, and 4) glass. Among these, the paper and plastic segments dominate the market, holding the largest share of total demand. The plastic packaging segment, particularly Biaxially Oriented Polypropylene (BOPP) and Cast Polypropylene (CPP) films, is integral to the FMCG and consumer goods industries, which drive significant demand due to the consistent growth and consumption of such products in Pakistan. The increasing preference for convenient and sustainable packaging in the FMCG and consumer goods sectors has further propelled demand for BOPP and CPP films. However, the cost of the primary raw materials for these films are closely linked to international crude oil prices, coupled with the impact of fluctuating exchange rates. Pakistan's paper and packaging industry has faced margin pressures due to rising energy costs, which increased the cost of sales and impacted profit margins. Despite these challenges, demand for packaging from the FMCG and food sectors is expected to sustain moderate production growth, with the industry outlook remaining stable, supported by sustainability initiatives and recycling trends. This has encouraged Companies to explore alternative energy solutions, including solar power, to mitigate the challenge and improve cost efficiency.

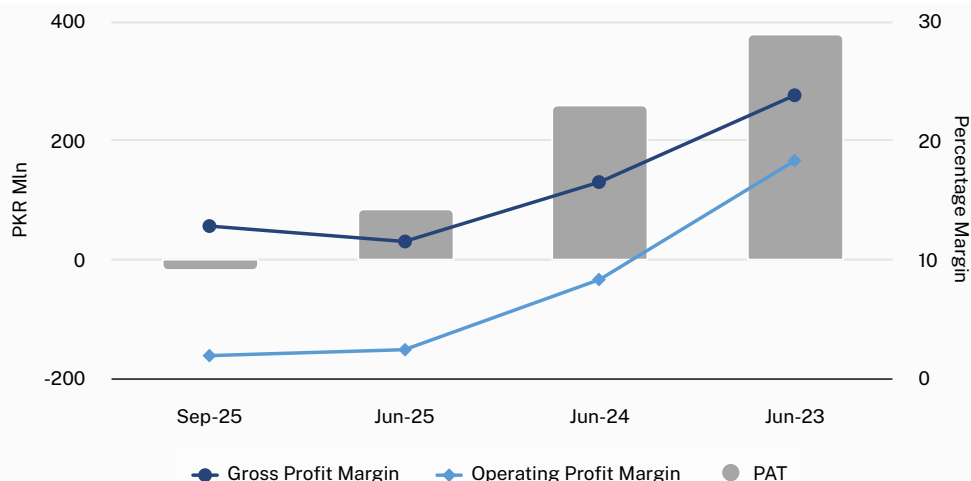
Relative Position At the end of Sep'25, MACPAC Films Limited maintained a market share of 6.2% in BOPP and 12.8% in CPP based on estimated industry capacity as per management.

Revenues During FY25, MACPAC Films Limited achieved a topline of PKR 5,994m, marking a minor increase of about ~6.7% compared to PKR 5,619m in FY24. Whereas, it stood at PKR 1,372m at the end of 3MFY26.



Margins

During FY25, gross profit margins declined to 11.5% (FY24: 16.5%) and 12.8% during 3MFY26 primarily due to heightened energy costs. The operating margin of the Company witnessed a similar trend clocking in at 2.4% (FY24: 8.3%) whereas, it stood at 1.9% at the end of 3MFY26. During FY25, the finance cost of the Company declined to PKR 110m (FY24: PKR 135m) and PKR 32m at the end of 3MFY26. However, the profitability of the Company declined to PKR 85m (FY24: PKR 258m) during FY25 and loss of PKR 19m during 3MFY26 primarily due to elevated energy cost and the inflationary impact, which eroded margins despite stable revenues. Subsequently, the net margin declined to 1.4% at the end of FY25 (FY24: 4.6%) and -1.4% at the end of 3MFY26. To mitigate profitability challenges, the Company is transitioning to alternate energy solutions. This initiative is likely to enhance cost efficiency and support margin recovery over the medium term. Further, during the 3MFY26, maintenance activities were conducted to ensure efficiency and operational excellence. Although production levels were slightly lower during the maintenance period, the activities are expected to deliver significant benefits through enhanced operational efficiency and improved productivity in the coming quarters, thereby supporting sustained growth and profitability.



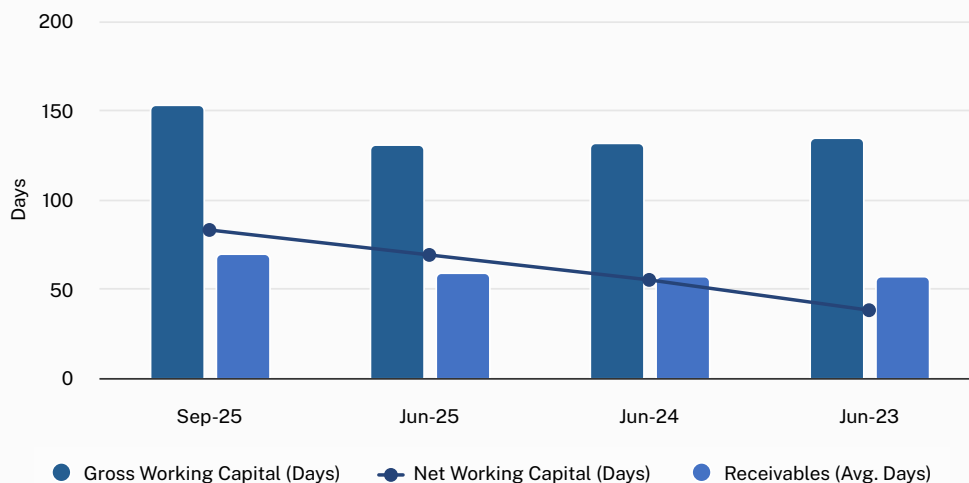
Sustainability

The Company's commitment to sustainability underpins its product development efforts, with a focus on creating biodegradable, recyclable, and compostable packaging solutions in line with global sustainability trends. MACPAC Films Limited has expanded its global footprint by establishing Macpac Films Middle East LLC FZ in Dubai, strengthening its market presence in the Middle East. MACPAC Films Limited installed a new machine of Thermal Lamination Film which added diversification in the portfolio.

Financial Risk

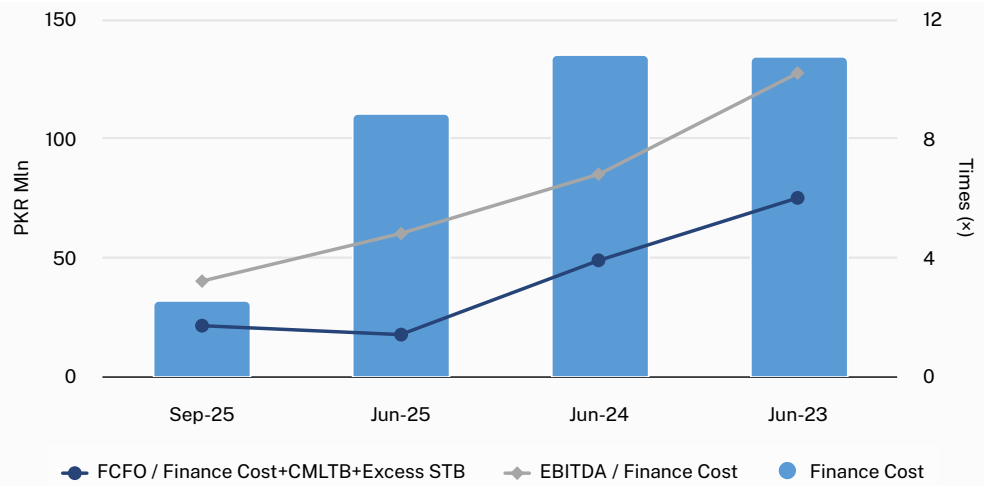
Working capital

The Company's inventory days stood at ~72 days during FY25, decreasing from ~75 days in FY24. While at the end of 3MFY26, the inventory days stood at 84 days. The trade receivable days increased from ~57 days in FY24 to ~59 days in FY25 and at the end of 3MFY26, the receivables days stood at 69 days. On the other hand, trade payable days decreased from ~77 days in FY24 to ~62 days in FY25. While at the end of 3MFY26, the payable days stood at 71 days. The Company's gross working capital days increased from ~132 days in FY24 to 131 days in FY25. At the end of 3MFY26, it stood at 153 days. Whereas, the Company's net working capital days increased from ~55 days in FY24 to 69 days in FY25. At the end of 3MFY26, it stood at 83 days.



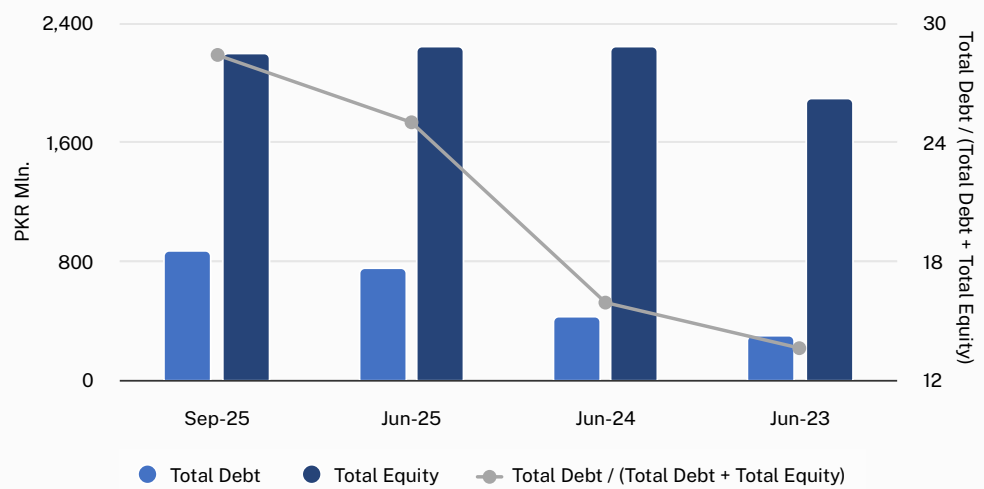
Coverages

During FY25, the FCFO's of the Company declined to PKR 200m (FY24: PKR 541m) and it stood at PKR 65m at the end of 3MFY26. The finance costs clocking in at PKR 110m at the end of FY25 (FY24: PKR 135m). Whereas, it stood at PKR 32m at the end of 3MFY26. Hence, the interest coverage of the Company diluted to 4.8x (FY24: 6.8x) and at the end of 3MFY26, it stood at 3.2x. The debt coverage declined to 1.4x at the end of FY25 (FY24: 3.9x) and 1.7x at the end of 3MFY26.



Capitalization

As of FY25, the Company's leverage increased to 25% (FY24: 15.9%) and 28.4% at the end of 3MFY26 driven by borrowings mainly incurred for the thermal lamination machine and the solar panels installation. The equity of the Company remained intact at PKR 2.2bln (FY24: PKR 2.2bln).



MACPAC Films Limited

FINANCIAL SUMMARY (PKR mln)



	Sep-25 3M	Jun-25 12M	Jun-24 12M	Jun-23 12M
	Management	Audited	Audited	Audited
A. BALANCE SHEET				
1. Non-Current Assets	2,409	2,389	2,269	1,898
2. Investments	0	0	0	0
3. Related Party Exposure	0	0	0	0
4. Current Assets	2,854	2,880	2,537	2,720
a. Inventories	1,282	1,236	1,132	1,166
b. Trade Receivables	1,061	1,025	900	860
5. Total Assets	5,262	5,269	4,806	4,618
6. Current Liabilities	1,889	1,983	1,853	2,093
a. Trade Payables	1,019	1,104	927	714
7. Borrowings	872	747	423	298
8. Related Party Exposure	0	0	0	0
9. Non-Current Liabilities	305	295	293	334
10. Net Assets	2,196	2,245	2,237	1,893
11. Shareholders' Equity	2,196	2,245	2,237	1,893
B. INCOME STATEMENT				
1. Sales	1,372	5,995	5,619	5,505
a. Cost of Good Sold	(1,196)	(5,304)	(4,693)	(4,194)
2. Gross Profit	176	691	926	1,311
a. Operating Expenses	(150)	(546)	(459)	(302)
3. Operating Profit	26	145	467	1,010
a. Non Operating Income or (Expense)	4	81	86	(175)
4. Profit or (Loss) before Interest and Tax	30	225	553	834
a. Total Finance Cost	(32)	(110)	(135)	(134)
b. Taxation	(17)	(30)	(160)	(321)
6. Net Income Or (Loss)	(19)	85	258	379
C. CASH FLOW STATEMENT				
a. Free Cash Flows from Operations (FCFO)	65	200	541	915
b. Net Cash from Operating Activities before Working Capital Changes	37	116	452	776
c. Changes in Working Capital	(114)	4	(181)	(377)
1. Net Cash provided by Operating Activities	(77)	120	271	399
2. Net Cash (Used in) or Available From Investing Activities	(60)	(78)	(247)	(66)
3. Net Cash (Used in) or Available From Financing Activities	129	(124)	(145)	(144)
4. Net Cash generated or (Used) during the period	(8)	(81)	(121)	189
D. RATIO ANALYSIS				
1. Performance				
a. Sales Growth (for the period)	-8.4%	6.7%	2.1%	31.9%
b. Gross Profit Margin	12.8%	11.5%	16.5%	23.8%
c. Net Profit Margin	-1.4%	1.4%	4.6%	6.9%
d. Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	-3.5%	3.4%	6.4%	9.8%
e. Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]	-3.5%	3.8%	12.5%	21.9%
2. Working Capital Management				
a. Gross Working Capital (Average Days)	153	131	132	124
b. Net Working Capital (Average Days)	83	69	55	81
c. Current Ratio (Current Assets / Current Liabilities)	1.5	1.5	1.4	1.3
3. Coverages				
a. EBITDA / Finance Cost	3.2	4.8	6.8	10.2
b. FCFO / Finance Cost+CMLTB+Excess STB	1.7	1.4	3.9	6.0
c. Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	1.8	2.7	0.2	0.1
4. Capital Structure				
a. Total Borrowings / (Total Borrowings+Shareholders' Equity)	28.4%	25.0%	15.9%	13.6%
b. Interest or Markup Payable (Days)	88.1	80.4	47.9	24.3
c. Entity Average Borrowing Rate	16.3%	16.4%	25.8%	20.1%

MACPAC Films Limited

RATING SCALE



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
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale

Short-Term Rating

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.

Rating Modifiers | Rating Actions

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.
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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".

Note: This scale is applicable to the following methodology(s):

- | | |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating | e) Holding Company Rating |
| b) Corporate Rating | f) Independent Power Producer Rating |
| c) Debt Instrument Rating | g) Microfinance Institution Rating |
| d) Financial Institution Rating | h) Non-Banking Finance Company |

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MACPAC Films Limited

REGULATORY DISCLOSURE



1. Rating Team Statements

I. **Rating** is just an opinion about the creditworthiness of the entity and does not constitute a 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))**

II. 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)]**
- iv. Explanation: for the purpose of the above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee.

2. Restrictions

- i. 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))**
- ii. 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 a business relationship with the customer. **(Chapter III; 10-7-(d))**
- iii. PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of the entity subject to rating. **(Chapter III; 10-7-(k))**

3. Conduct of Business

- i. 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))**
- ii. PACRA uses due care in the 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 verify or validate information received in the rating process or in preparing this Rating Report. **(Clause 11-A-(p))**
- iii. PACRA prohibits its employees and analysts from soliciting money, gifts, or favors from anyone with whom PACRA conducts business. **(Chapter III; 11-A-(q))**
- iv. PACRA ensures before the 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))**
- v. PACRA maintains the principle of integrity in seeking rating business. **(Chapter III; 11-A-(u))**
- vi. PACRA promptly investigates in the event of 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))**

4. Independence & Conflict of Interest

- i. 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.
- ii. PACRA does not provide consultancy/advisory services or other services to any of its customers or their associated companies and associated undertakings that are being rated or have been rated by it during the preceding three years, unless it has an adequate mechanism in place ensuring that the provision of such services does not lead to a conflict of interest situation with its rating activities. **(Chapter III; 12-2-(d))**
- iii. 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. **(Chapter III; 12-2-(f))**
- iv. PACRA ensures that the rating assigned to an entity or instrument is not 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))**
- v. PACRA ensures that the analysts or any of their family members shall not buy, sell, or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause, however, does not apply to investments in securities through collective investment schemes. **(Chapter III; 12-2-(l))**
- vi. PACRA has established policies and procedures 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))**

5. Monitoring and Review

- i. 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 an effective manner after appropriate consultation with the entity/issuer. **(Chapter III; 17-(a))**
- ii. PACRA reviews all the outstanding ratings periodically on an annual basis. Provided that public dissemination of annual review and in an instance of change in rating will be made. **(Chapter III; 17-(b))**
- iii. PACRA initiates an 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))**
- iv. 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))**

6. Probability of Default

- i. 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, the actual transition of rating may not follow the pattern observed in the past. **(Chapter III; 14-3(f)(vii))**

7. Proprietary Information

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