

Berger Paints Pakistan Limited

CREDIT RATING REPORT | SEP-25



Rating History

Dissemination Date	Long-Term Rating	Short-Term Rating	Outlook	Action	Rating Watch
12-Sep-25	A-	A2	Stable	Maintain	-
13-Sep-24	A-	A2	Stable	Maintain	-
14-Sep-23	A-	A2	Stable	Maintain	-
16-Sep-22	A-	A2	Stable	Maintain	-
16-Sep-21	A-	A2	Stable	Initial	-

About the Entity

Berger Paints Pakistan Limited was incorporated in 1950 as a Private Limited Company under the Companies Act, 1913 (now Companies Act, 2017) and became a publicly listed company in 1974. It is listed on the Pakistan Stock Exchange (PSX). In 1991, Slotrapid Limited (BVI) acquired a 52.02% stake from the Company's former parent, Jenson & Nicholson Limited, thereby assuming control. Governance rests with an eight-member Board comprising four independent, three non-executive and one executive director. The CEO, Dr. Mahmood Ahmad, a nominee of Slotrapid Limited, brings around 28 years of industry experience and is supported by a competent management team.

Rating Rationale

Berger Paints Pakistan Limited ("Berger" or "the Company") ratings reflect its established brand equity, strong business profile, and resilient presence in Pakistan's paint industry. The Company operates state-of-the-art manufacturing facilities equipped with modern technology to deliver high-quality products in line with local and international standards. Revenues are diversified across three segments: the Retail Business (B2C), comprising decorative paints distributed nationwide; the Non-Retail Business (B2B), including powder coatings, protective coatings, and automotive paints; and the Allied Business, covering road safety products, construction chemicals, and adhesives. In addition, Berger undertakes toll manufacturing for Buxly Paints Limited, which further strengthens its operational base and market positioning. Pakistan's paint industry, valued at ~USD 401m in CY24, is projected to grow at a CAGR of ~4.2% to ~USD 492m by 2029. Growth is driven mainly by the decorative segment, supported by residential, commercial, and infrastructure activity, with additional demand expected from post-flood reconstruction. The industry is fragmented, with ~50% share held by unorganized players competing mainly on price. This is attributable to the relatively simple manufacturing process, which lowers entry barriers and enables smaller players to capture significant market share. The organized segment is led by multinational brands (AkzoNobel, Berger, Nippon) and strong local players (Master, Brighto, Diamond), represented under the Pakistan Coating Association (PCA). The sector is raw material intensive, with imported inputs (pigments, solvents, binders) comprising ~85% of COGS in FY24 (FY23: ~84%). This exposes players to exchange rate volatility and rising import costs. Industry challenges include intense price competition, macroeconomic and political uncertainty, and pressure to adopt low volatile organic compounds (VOC), eco-friendly coatings. Nevertheless, investments in local production facilities, rising urbanization, and demand for branded decorative paints are expected to support medium-term growth, while infrastructure rebuilding post-floods offers incremental opportunities. Within this landscape, Berger holds substantial competitive advantages, underpinned by superior product quality, innovative formulations, an extensive nationwide distribution network, and a loyal customer base, positioning it well to sustain its strong market presence. Reflecting these strengths, the Company recorded topline revenue of ~PKR 6,760m (FY24: ~PKR 8,544m), translating into an annualized growth of ~5.5%, primarily driven by a slight increase in sales volumes. Margins remained intact across all levels due to effective pricing and prudent cost control measures. The Company operates under a well-structured Board that provides oversight and strategic direction, ensuring sound governance, risk management, and alignment with long-term objectives. Operations are managed by an experienced team of professionals and supported by a robust internal control framework that underpins efficiency and accountability. The financial profile is considered adequate, with comfortable coverage and stable cash flows, although working capital remains slightly stretched. The capital structure is leveraged, funded through a mix of short- and long-term borrowings.

Key Rating Drivers

The ratings are dependent upon the management's ability to sustain the market operation amidst stiff competition. Generating operating cashflows along with maintaining an efficient supply chain and prudent working capital management is important.

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RELATED RESEARCH

- Sector Study | Chemicals | Aug-25



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Berger Paints Pakistan Limited

RATING ANALYSIS



Profile

Legal Structure Berger Paints Pakistan Limited (Berger or "the Company") is a publicly listed company. The registered office of the Company is situated in Lahore, Pakistan, and the production facility is located at 28 Km, Multan Road, Lahore.

Background Berger Paints Pakistan Limited traces its roots to the early post-independence period when Jenson & Nicholson Limited (UK), one of the oldest paint companies globally, introduced the Berger brand in Pakistan. In 1955, under Jenson & Nicholson's ownership, the company established its first local manufacturing plant in Karachi, marking the formal start of paint manufacturing operations in the country. The company remained under the control of Jenson & Nicholson until 1974, when Berger was converted into a public limited company. At that stage, 49.38% of shares were acquired by Pakistani investors, while Jenson & Nicholson retained the controlling stake. In 1991, a significant shift occurred when Slotrapid Limited, a British Virgin Islands-based holding company, acquired 52.05% of shares from Jenson & Nicholson and assumed control. Slotrapid continues to be the parent company and principal shareholder of Berger Paints Pakistan Limited. Berger expanded its presence beyond Karachi. A major milestone was the establishment of a state-of-the-art plant in Lahore in 2006, which also includes an in-house resin manufacturing facility.

Operations Berger Paints Pakistan Limited is engaged in the manufacturing and trading of paints, varnishes, and allied products. The Company offers a diverse product portfolio that spans decorative paints, automotive paints, general industrial finishes, powder coatings, protective coatings, vehicle refinishes, marine coatings, road safety products, construction chemicals, and adhesives. These operations are structured into three business lines. The Retail Business focuses primarily on decorative paints and related products targeted toward households, contractors, and the retail segment. The Non-Retail Business caters to industrial and institutional clients through offerings such as automotive paints, industrial finishes, protective and marine coatings, and powder coatings. The Allied Business line covers construction chemicals, adhesives, printing inks, road safety products, and other specialized coatings, enabling the Company to serve a wide range of customer needs across sectors. In addition to its proprietary lines, the Company undertakes toll manufacturing for Buxly Paints Limited, which contributes to revenue diversification and strengthens its industry presence. Berger maintains a nationwide distribution network, supported by a well-developed base of dealers and distributors. The supply chain is further reinforced through warehousing facilities in major cities across Pakistan, which ensures efficient inventory management and timely delivery to end-users. Berger places strong emphasis on quality assurance, operating its own in-house quality control laboratories to maintain consistency with global benchmarks. Furthermore, through technical collaborations with international players, the Company continues to enhance its product quality and manufacturing standards. The paints industry, and Berger by extension, is inherently raw material intensive, with a large portion of inputs sourced through imports. This makes the Company's cost structure and profitability sensitive to exchange rate volatility and fluctuations in global commodity prices. While Berger's backward integration through in-house resin manufacturing provides partial insulation against raw material risk, it does not fully offset the exposure. Overall, Berger Paints' wide-ranging product base, structured business lines, toll manufacturing arrangements, extensive distribution network, and warehousing infrastructure reinforce its operational strength. These elements, coupled with established technical collaborations and a commitment to quality, underpin the Company's positioning within Pakistan's paints and coatings industry.

Ownership

Ownership Structure Slotrapid Limited, a foreign company incorporated in the British Virgin Islands and acting as the parent company of Berger Paints, holds a majority stake of 52.05%. The remaining shareholding is distributed among various categories of institutional and individual investors. Local general public holds 39.44% of shares, while foreign general public owns 0.83%. Financial institutions also form part of the shareholder base, with NIT & ICP holding 1.45%, banks/DFIs/NBFCs holding 1.35%, and insurance companies holding 1.07%. Other shareholders, including modarabas, mutual funds, and miscellaneous investors, collectively account for 3.80%.

Stability

Slotrapid Limited has remained the controlling shareholder of Berger Paints Pakistan Limited for nearly three decades. The Company's ownership is concentrated with Slotrapid, an offshore holding entity with a clearly identified ultimate beneficiary. Since its inception, the controlling interest has changed hands only once, when Slotrapid acquired the majority stake from Jenson & Nicholson in 1991. This long-standing and consistent ownership structure reflects a high degree of stability and continuity in governance, which has supported the Company's strategic direction over time.

Business Acumen

Slotrapid Limited, an investment management company with interests in diversified businesses. Under its stewardship, the Company's operations have expanded meaningfully, supported by consistent improvements in scale and performance. A key milestone in this journey was the establishment of a state-of-the-art manufacturing facility in Lahore, which significantly enhanced production capacity, efficiency, and backward integration through in-house resin manufacturing. Backed by a long operating history, brand equity, and sustained investment in capacity and product development, Berger today ranks among the leading players in Pakistan's paint and coatings industry.

Financial Strength

The Company benefits from a stable and supportive sponsor profile. The identified beneficial owner, Dr. Mahmood Ahmad, also serves as the Managing Director of Berger Paints Pakistan Limited. His active leadership, along with diversified business interests including investments in Dubai's real estate sector, contributes to the sponsor's financial standing. The sponsor's commitment has been evident in times of stress. Following the fire incident at Berger's Karachi facility in 2008, a 122 percent rights issue was announced and fully subscribed, providing the necessary capital to restore operations. This timely intervention reflected the sponsor's willingness and financial capacity to safeguard the Company's continuity. The demonstrated support enhances Berger's resilience and strengthens confidence in its ability to withstand unforeseen shocks.

Governance

Board Structure

The Board of Directors comprises eight members, including Mr. Maqbool H. H. Rahimtoola as Chairman, four independent directors, three non-executive directors, and Dr. Mahmood Ahmad, the Chief Executive Officer, as the executive director. Dr. Ahmad also serves as the representative of the sponsoring shareholder. The presence of a majority of independent and non-executive directors provides an effective balance between management and oversight. This composition facilitates objective decision-making, strengthens governance practices, and enhances the Board's ability to safeguard the interests of all stakeholders.

Members' Profile

The Board is chaired by Mr. Maqbool H. H. Rahimtoola, who brings over four decades of experience, having served on the boards of leading listed and multinational companies. He has also been the caretaker Federal Minister for Foreign Affairs and has chaired several government authorities, which reflects his strong governance and leadership credentials. Dr. Mahmood Ahmad, the Chief Executive Officer, has been associated with Berger since 1995. A medical graduate by qualification, he has played a central role in the Company's growth journey, including capacity expansion and operational integration. His leadership has been pivotal in positioning Berger among the leading players in Pakistan's paint industry. Mr. Muhammad Naseem, a Fellow Chartered Accountant with more than 30 years of professional experience, contributes significant expertise in accounting, auditing, and corporate finance. His strong financial acumen supports the Board's oversight of financial reporting and internal controls. Mr. Shahzad M. Husain holds a Master's degree and has 25 years of diverse professional experience. His business background and operational exposure enable him to provide valuable insights into strategy and market development. With nearly 30 years of experience in banking and financial services, Mr. Zafar Aziz Osmani adds depth to the Board's understanding of financial markets, risk management, and regulatory frameworks. His presence strengthens the Board's ability to guide the Company's financial and strategic decisions. Mrs. Zarin Aziz Khan brings 25 years of experience in civil services and public sector administration. Her expertise in governance, institutional management, and policy contributes an external perspective that enriches the Board's deliberations. Mr. Ilyas Sharif, with 25 years of professional experience in business management, brings practical industry knowledge and entrepreneurial insights. His contribution supports the Company's operational and commercial decision-making. Mrs. Rohi Raees Khan has over 30 years of diverse experience, including exposure to road safety and infrastructure development initiatives. Her broad professional background adds value to the Company's oversight framework and complements the skill set of the Board.

Board Effectiveness

During FY24, the Board convened four meetings, with the majority of members in attendance. Meeting packs, including detailed agendas and relevant financial data segmented by business lines, were circulated at least seven days in advance, enabling informed participation. The Board has also established three sub-committees: (i) Audit Committee, (ii) Human Resource & Remuneration Committee, and (iii) Business Risk & Strategy Committee.

Financial Transparency

BDO Ebrahim Co., Chartered Accountants are the new external auditors of the Company. Previously, A.F Ferguson & Co. Chartered Accounts gave an unqualified opinion on the company's financial statements for the year ending June 30, 2024. The board has also outsourced its internal audit department to E&Y Ford Rhodes & Co., Chartered Accountants.

Management

Organizational Structure

Berger follows a vertical organizational structure, with operations divided across key functional departments, namely: (i) Purchase and Planning, (ii) Supply Chain, (iii) Environment, Health & Safety, (iv) Administration, (v) Production, (vi) RMS/Distribution, and (vii) Engineering.

Management Team

Dr. Mahmood Ahmad leads the management team as CEO. The COO, Divisional Head HR & Admin, and Director Accounting & Finance report directly to him. Supporting this leadership line, the General Manager Retail Business & Marketing, General Manager Allied & Non-Retail Business, and General Manager Technical report to the COO. All functional departments are overseen by highly qualified and experienced professionals. The sales function is structured into three regions: (i) North, covering Islamabad and all northern areas; (ii) Centre, comprising the Punjab region; and (iii) South, encompassing Sindh and Balochistan.

Effectiveness

The management has constituted several committees to support coordination and decision-making, namely: (i) Executive Committee, (ii) Purchase Committee, (iii) Finance Committee, and (iv) Credit Committee. The Executive Committee, serving as the apex body, includes the Managing Director, Regional Sales Heads, and senior finance executives. It meets monthly, with segment-wise sales and gross profit reports shared in advance to review performance and align strategic priorities.

MIS

The Company has implemented Oracle ERP to streamline information flow and reporting. The system enables the generation of customized MIS reports for the Board and senior management, while also supporting robust internal controls and oversight.

Control Environment

Berger Paints Pakistan Limited maintains a structured internal control framework that supports effective governance and operational oversight. Annual budgets are prepared for each business segment, formally approved by the Board, and monitored through monthly performance tracking and Executive Committee reviews. A dedicated Quality Control Department conducts regular audits to ensure consistency, while corporate clients frequently inspect facilities to verify compliance with strict quality and safety standards. The Company also benefits from technical collaborations with leading international paint manufacturers, which reinforce adherence to global best practices. In addition, Berger has a sound internal audit function that operates independently and reports directly to the Board Audit Committee. This framework enhances accountability, ensures transparency, and provides timely assurance on the effectiveness of internal processes and risk controls.

Business Risk

Industry Dynamics

The paint industry of Pakistan, valued at ~USD 401m in CY24, is projected to grow at a CAGR of ~4.2% over the next five years, reaching ~USD 492m by 2029. Demand is primarily driven by the decorative (architectural) segment, linked to residential, commercial, and infrastructure development, with further impetus expected from post-flood reconstruction. The industry is fragmented, with ~50% share held by unorganized players competing mainly on price. This is attributable to the relatively simple manufacturing process, which lowers entry barriers and enables smaller players to capture significant market share. The organized segment is led by multinational brands (AkzoNobel, Berger, Nippon) and strong local players (Master, Brighto, Diamond), represented under the Pakistan Coating Association (PCA). The sector is raw material intensive, with imported inputs (pigments, solvents, binders) comprising ~85% of COGS in FY24 (FY23: ~84%). This exposes players to exchange rate volatility and rising import costs. Industry challenges include intense price competition, macroeconomic and political uncertainty, and pressure to adopt low volatile organic compounds (VOC), eco-friendly coatings. Nevertheless, investments in local production facilities, rising urbanization, and demand for branded decorative paints are expected to support medium-term growth, while infrastructure rebuilding post-floods offers incremental opportunities. Within this landscape, Berger holds substantial competitive advantages, underpinned by superior product quality, innovative formulations, an extensive nationwide distribution network, and a loyal customer base, positioning it well to sustain its strong market presence.

Relative Position

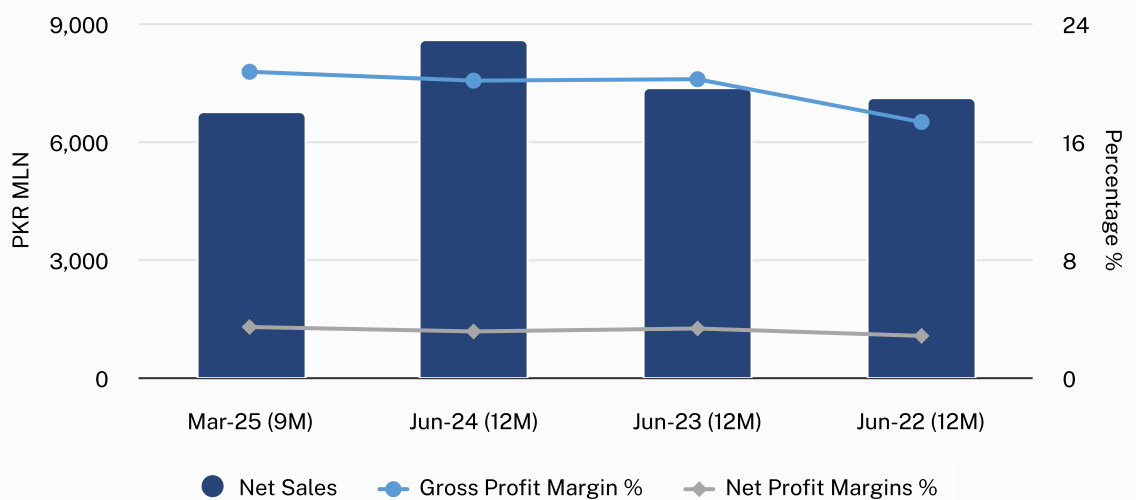
Berger Paints Pakistan Limited is recognized as a leading player in the country's premium paint segment, with management indicating a market share of around 12 percent in the organized sector. The Company competes with

other prominent players, including AkzoNobel, Master Paints, Diamond Paints, and Brighto Paints. Berger distinguishes itself through a focus on superior product quality, innovative formulations, and a broad-based nationwide distribution network. These attributes underpin its competitive positioning and enable the Company to sustain its relevance in an increasingly competitive industry landscape.

Revenues

During 9MFY25, Berger Paints Pakistan Limited recorded topline revenue of ~PKR 6,760mln (FY24: ~PKR 8,544mln), reflecting an annualized growth of ~5.5%, primarily driven by a slight increase in sales volumes. The Company's revenue base remains concentrated in the Retail Business, which contributed ~70% of FY25 revenues, led mainly by the Decorative segment. The Non-Retail Business accounted for ~24%, supported by industrial, automotive, protective, powder coating, road marking, and other institutional sales. The Allied Business, comprising printing inks, resin/PVA, and exports, contributed the remaining ~6%. This diversified revenue mix highlights Berger's strong positioning in the decorative segment while maintaining a meaningful presence across industrial and allied categories.

Profitability Matrix



Margins

In 9MFY25, Berger maintained a stable gross margin of ~20.7% (FY24: ~20.1%; FY23: ~20.2%) despite elevated input costs. Raw materials remained the dominant cost component, representing ~85% of COGS in FY24 (FY23: ~84%), which underscores the Company's sensitivity to exchange rate movements and global commodity trends. Backward integration in resin manufacturing and effective pricing strategies have provided partial cost insulation. At the operating level, margin stood at ~7.2% (FY24: ~7.7%; FY23: ~7.0%). Net margin improved to ~3.4% in 9MFY25 (FY24: ~3.1%; FY23: ~3.3%), supported by disciplined cost management and a reduction in finance cost during the period. Sustained topline growth, coupled with these measures, further strengthened bottom-line performance.

Sustainability

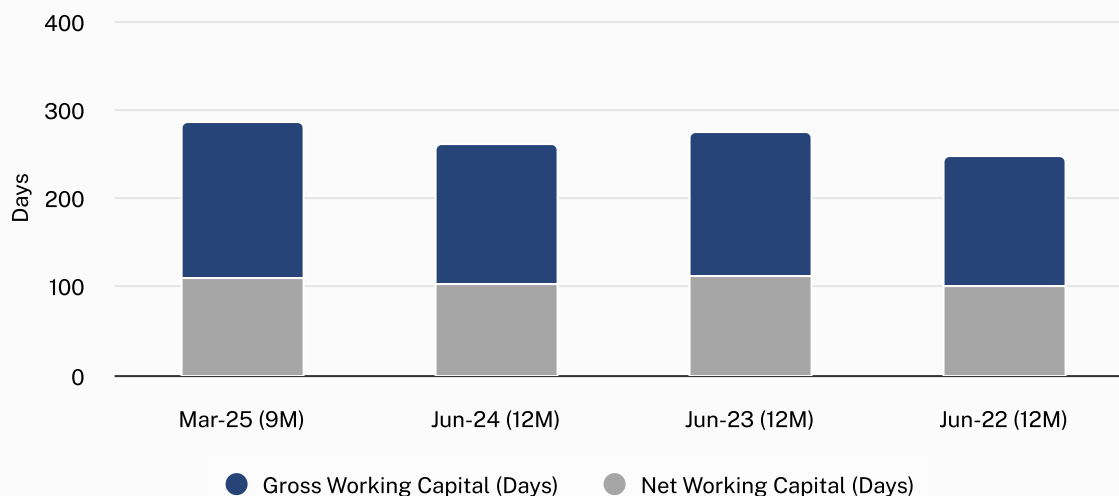
Berger Paints Pakistan Limited remains committed to advancing its sustainability agenda through continuous investment in efficiency and resilience. Planned capital expenditure is directed toward enhancing manufacturing processes and strengthening operational reliability. At the same time, the Company is aligning with global best practices by focusing on eco-friendly coatings, adopting energy-efficient technologies, and implementing measures to reduce its carbon footprint. These efforts reflect Berger's dual commitment to environmental responsibility and long-term business sustainability. This agenda is supported by a robust forecasting and budgeting framework. Budgets and forecasts are prepared regularly, and actual performance is closely monitored against defined KPIs. This discipline not only ensures prudent resource allocation but also integrates sustainability objectives into the Company's broader strategic and operational priorities.

Financial Risk

Working capital

In 9MFY25, Berger's inventory days increased to ~69 (FY24: ~63; FY23: ~76), while trade receivable days stretched to ~108 (FY24: ~96; FY23: ~88). Resultantly, gross working capital days rose to ~177 in 9MFY25 (FY24: ~159; FY23: ~164). On the other hand, trade payable days improved to ~67 (FY24: ~56; FY23: ~53), partially offsetting the increase. Resultantly, net working capital days edged up to ~110 (FY24: ~103; FY23: ~111).

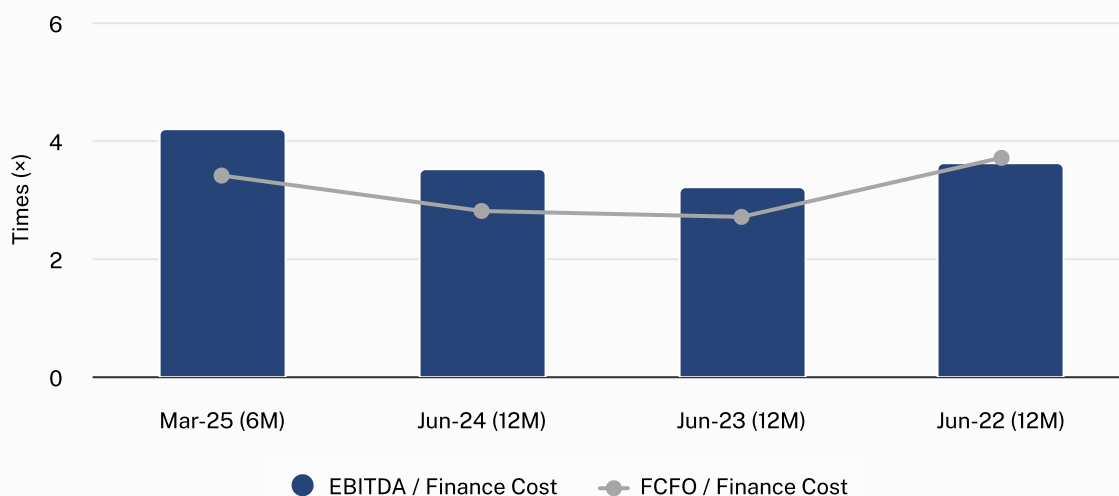
Cash Cycle



Coverages

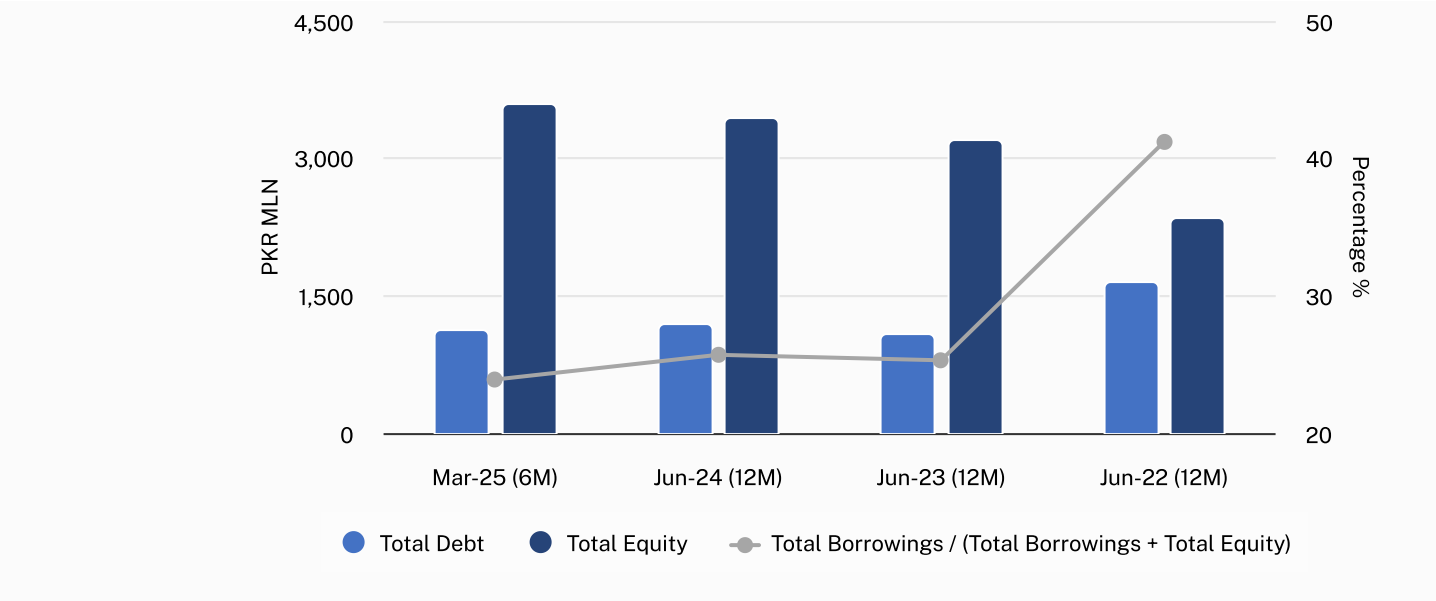
During 9MFY25, Berger generated FCFO of ~PKR 580mln (FY24: ~PKR 819mln; FY23: ~PKR 743mln). Finance costs declined notably to PKR 175mln in 9MFY25 (FY24: PKR 305mln; FY23: ~PKR 284mln), reflecting lower borrowings and improved cost management. As a result, the interest coverage ratio strengthened to 4.2x in 9MFY25 (FY24: 3.5x; FY23: 3.2x), while the debt coverage ratio also improved to 1.9x (FY24: 1.6x; FY23: 1.5x).

Coverage Ratios



Capitalization

The Company's capital structure remains moderately leveraged. As of 9MFY25, leverage improved to ~23.9% (FY24: ~25.7%; FY23: ~25.3%). Short-term borrowings accounted for ~58.3% of total borrowings in 9MFY25 (FY24: ~56.1%; FY23: ~39.3%), indicating a relatively higher reliance on short-term funding compared to the prior year.



Berger Paints Pakistan Limited

(PKR mln)

FINANCIAL SUMMARY



	Mar-25 9M	Jun-24 12M	Jun-23 12M	Jun-22 12M
A. BALANCE SHEET				
1. Non-Current Assets	2,368	2,325	2,366	1,705
2. Investments	90	77	78	71
3. Related Party Exposure	0	0	0	105
4. Current Assets	5,552	4,845	4,168	4,070
a. Inventories	1,914	1,493	1,438	1,625
b. Trade Receivables	2,755	2,603	1,908	1,628
5. Total Assets	8,010	7,246	6,613	5,951
6. Current Liabilities	2,801	2,158	2,025	1,760
a. Trade Payables	1,884	1,431	1,174	943
7. Borrowings	1,129	1,194	1,081	1,642
8. Related Party Exposure	53	40	40	48
9. Non-Current Liabilities	317	309	271	155
10. Net Assets	3,710	3,544	3,196	2,346
11. Shareholders' Equity	3,586	3,447	3,196	2,346
B. INCOME STATEMENT				
1. Sales	6,760	8,544	7,341	7,073
a. Cost of Good Sold	(5,360)	(6,823)	(5,858)	(5,852)
2. Gross Profit	1,399	1,721	1,483	1,221
a. Operating Expenses	(916)	(1,065)	(966)	(869)
3. Operating Profit	484	656	517	352
a. Non Operating Income or (Expense)	61	70	98	58
4. Profit or (Loss) before Interest and Tax	545	726	615	410
a. Total Finance Cost	(175)	(305)	(284)	(163)
b. Taxation	(137)	(158)	(91)	(45)
6. Net Income Or (Loss)	233	263	240	201
C. CASH FLOW STATEMENT				
a. Free Cash Flows from Operations (FCFO)	580	819	743	567
b. Net Cash from Operating Activities before Working Capital Changes	376	528	447	427
c. Changes in Working Capital	(22)	(563)	123	(474)
1. Net Cash provided by Operating Activities	354	(35)	570	(47)
2. Net Cash (Used in) or Available From Investing Activities	(185)	(164)	(98)	(112)
3. Net Cash (Used in) or Available From Financing Activities	(147)	219	(648)	338
4. Net Cash generated or (Used) during the period	23	19	(177)	179
D. RATIO ANALYSIS				
1. Performance				
a. Sales Growth (for the period)	5.5%	16.4%	3.8%	26.3%
b. Gross Profit Margin	20.7%	20.1%	20.2%	17.3%
c. Net Profit Margin	3.4%	3.1%	3.3%	2.8%
d. Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	8.3%	3.0%	11.8%	1.3%
e. Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]	8.8%	7.9%	8.7%	8.8%
2. Working Capital Management				
a. Gross Working Capital (Average Days)	177	159	164	147
b. Net Working Capital (Average Days)	110	103	111	100
c. Current Ratio (Current Assets / Current Liabilities)	2.0	2.2	2.1	2.3
3. Coverages				
a. EBITDA / Finance Cost	4.2	3.5	3.2	3.6
b. FCFO / Finance Cost+CMLTB+Excess STB	1.9	1.6	1.5	2.6
c. Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.9	1.0	1.4	0.6
4. Capital Structure				
a. Total Borrowings / (Total Borrowings+Shareholders' Equity)	23.9%	25.7%	25.3%	41.2%
b. Interest or Markup Payable (Days)	34.0	61.9	41.6	108.9
c. Entity Average Borrowing Rate	18.8%	25.3%	18.4%	10.6%

Berger Paints Pakistan 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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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

- i. 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.