

## RATING REPORT

### Arif Habib Dolmen REIT Management Limited

**REPORT DATE:**

August 29, 2016

**RATING ANALYSTS:**

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#### RATING DETAILS

	Latest Rating	Previous Rating	Initial Rating
<b>Rating Category</b>	<b>MQR</b>		
<b>REIT Rating</b>	AM2 (RMC)	AM2 (RMC)	AM2- (RMC)
<b>Rating Date</b>	July 25, '16	May 4, '16	June 8, '15

#### COMPANY INFORMATION

<b>Incorporated in April 2009</b>	External auditors: <b>Haroon Zakaria &amp; Co.</b>
<b>Unquoted Public Company</b>	Chairman of the Board: <b>Mr. Nasim Beg</b>
<b>Key Shareholders:</b>	Chief Executive Officer: <b>Mr. Muhammad Ejaz</b>
Arif Habib Group	
Dolmen Group	

## Arif Habib Dolmen REIT Management Ltd

OVERVIEW OF THE RMC	RATING RATIONALE
<p>AHDRML was incorporated in April 2009 as an unlisted public limited company. It is a joint venture between the Arif Habib Group and the Dolmen Group. The company is engaged in launch and management of Real Estate Investment Trust (REIT) Schemes.</p>	<p>Arif Habib Dolmen REIT Management Limited (AHDRML's) rating draws comfort from REIT management company's (RMC) affiliation and corresponding operational and financial support from its sponsors, Arif Habib &amp; Dolmen Groups. Rating also reflects research and investment processes, the experience of key executives and profile of sponsors. Board features seasoned professionals having experience in real estate and financial services sectors.</p> <p>While board oversight is considered adequate, discussion on future strategy was limited. The executive management demonstrates an understanding of the RMC's role in management of property and local property market dynamics, with most of them having varying level of experience specific to the real estate sector. Previously, some personnel have been assigned multiple responsibilities; these have now been segregated.</p> <p>AHDRML has currently only one REIT fund under management namely; Dolmen City REIT (DCR). The performance of DCR has exceeded projections. Performance track record of funds (existing and those that will be launched) will be established over time and will be a key area of assessment, going forward. RMC had planned to launch a number of new REIT schemes. However, changes in taxation regime as laid out in finance act 2015 were unfavorable and became deterrent for REIT proliferation. Favorable changes in the real estate taxation regime during 2016 are expected to facilitate the RMC to entice real estate developers and owners to consider the REIT mode. The changes included limiting the capital gain tax (CGT) exemption to developmental REITs for residential purpose only and increasing the tax on dividends to 25% for corporates on investment in REIT schemes.</p> <p>The company has an adequate research process in place with sufficient breadth and scope, to vet property investments for inclusion in REIT schemes in addition to periodic update of data pertaining to different property segments for building an internal database on general market dynamics. Given the absence of formal data sources for the real estate market in Pakistan, the RMC gathers data from a combination of market players &amp; in-formal sources. Moreover, investment process involves defined due diligence and is now documented through the strategic investment policy. The governance framework has been strengthened with formulation of policies for key areas including investment in new REIT schemes and risk management policy etc. These would be tested going forward with greater volume of business.</p>

## Arif Habib Dolmen REIT Management Ltd

## Appendix I

<b>BALANCE SHEET (Rs. In Millions)</b>	<b>9M16</b>	<b>FY15</b>
<b>Non-current Assets</b>	1,353.8	1,475.3
<i>Investment Property</i>	<i>1,160.8</i>	<i>1,224.1</i>
<b>Current Assets</b>	88.5	71.1
<b>Non-current Liabilities</b>	965.6	919.1
<b>Current Liabilities</b>	147.4	202.3
<b>Net Equity</b>	329.3	424.9
<b><u>INCOME STATEMENT</u></b>		
<b>Management Fee</b>	51.1	5.3
<b>Administrative Expenses</b>	28.1	30.7
<b>Operating Profit</b>	23.0	(25.4)
<b>Profit/ (Loss) after tax</b>	(32.2)	175.1

## ISSUE/ISSUER RATING SCALE &amp; DEFINITIONS

## Appendix II

**MANAGEMENT QUALITY RATINGS**

**AM1:** Highest Management Quality

**AM2+, AM2, AM2-:** High Management Quality

**AM3+, AM3, AM3-:** Good Management Quality

**AM4+, AM4, AM4-:** Adequate Management Quality

**AM5+, AM5, AM5-:** Weak Management Quality

*For companies undertaking Investment Advisory Services only, the Management Quality Rating Scale is appended with the suffix 'IA' to distinguish it from other Management Quality Ratings outstanding by JCR-VIS.*

*For companies undertaking REIT Management Services only, the Management Quality Rating Scale is appended with the suffix 'RMC' to distinguish it from other Management Quality Ratings outstanding by JCR-VIS.*

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**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

REGULATORY DISCLOSURE		Appendix III	
<b>Name of Rated Entity</b>	<b>Arif Habib Dolmen REIT Management Ltd</b>		
<b>Sector</b>	Miscellaneous		
<b>Type of Relationship</b>	Solicited		
<b>Purpose of Rating</b>	Management Quality Rating		
<b>Rating History</b>	<b>Rating Date</b>	<b>RMC Rating</b>	<b>Rating Action</b>
	8-June-15	AM2-(RMC)	Initial
	4-May-16	AM2 (RMC)	Harmonised
	25-July-16	AM2 (RMC)	Reaffirmed
<b>Instrument Structure</b>	N/A		
<b>Statement by the Rating Team</b>	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.		
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