

## RATING REPORT

### Arif Habib Dolmen REIT Management Limited

**REPORT DATE:**

September 25, 2018

**RATING ANALYSTS:**

Muniba Khan

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#### RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	MQR	MQR
<b>REIT Rating</b>	AM2 (RMC)	AM2 (RMC)
<i>Rating Outlook</i>	<i>Stable</i>	<i>Stable</i>
<i>Rating Date</i>	<i>September 17, '18</i>	<i>August 18, '17</i>

#### COMPANY INFORMATION

<b>Incorporated in April 2009</b>	<b>External auditors:</b> Rehman Sarfaraz Rahim Rafiq, Chartered Accountants
<b>Unquoted Public Company</b>	<b>Chairman of the Board:</b> Mr. Nasim Beg
<b>Key Shareholders:</b>	<b>Chief Executive Officer:</b> Mr. Muhammad Ejaz
Arif Habib Group	
Dolmen Group	

#### APPLICABLE METHODOLOGY(IES)

JCR-VIS Management Quality Rating Criteria

Management Quality Rating of RMC (July 2015)

<http://jcrvis.com.pk/docs/MQR-RMC-Mehtodology-2015.pdf>

## Arif Habib Dolmen REIT Management Ltd.

### OVERVIEW OF THE RMC

AHDRML was incorporated in April 2009 as an unlisted public limited company. It is a joint venture between the groups of Arif Habib and Dolmen. The company is engaged in launch and management of Real Estate Investment Trust (REIT) Schemes.

#### **Profile of Chairman**

Mr. Nasim Beg has extensive experience of over forty years in financial services, both locally and internationally. Mr. Beg is the founding Chief Executive of Arif Habib Consultancy and was the founding Chief Executive of MCB-Arif Habib Savings. He is a Fellow Chartered Accountant with the Institute of Chartered Accountants in Pakistan (ICAP).

#### **Profile of CEO**

Mr. Muhammad Ejaz, has over 20 years of experience in financial services and general management. He is a certified director and has served in senior positions at leading local and international banks and is a certified Financial Risk Manager (FRM). He holds an MBA degree from Institute of Business Administration, Karachi.

### RATING RATIONALE

Current rating of Arif Habib Dolmen REIT Management Limited (AHDRML) factors in the sponsor profile of Arif Habib and Dolmen Groups. AHDRML benefits from both their operational experience and financial support in developing and managing real estate projects. Rating also draws comfort from adequate research and investment process.

#### **Rating Drivers**

- **Governance and Management Profile**

During the period under review, profile of the management team remained stable with senior management team comprising qualified, seasoned professionals belonging to the real estate and financial services sector. Due to the long term commitment involved in real estate investments, final approval involves input from the Board of Directors. In order to do so, the Board deliberates on future strategy of the company with respect to launching of new REITs in Pakistan. However, AHDRML may consider increasing the documentation scope of minutes of Board meetings. As per management, governance framework of the company will be further strengthened with the introduction of revised corporate governance guidelines issued by the regulator. Internal audit is currently outsourced to M/s Junaidy Shoaib Asad & Co., Chartered Accountants.

- **Research and Investment Process**

Research and investment functions of the company are considered adequate. The company follows a defined process for vetting property investment for inclusion in REIT Schemes. The company undertakes comprehensive research to gather up to date real estate data from primary and secondary sources, sponsor's and key market player insights, vast experience of the management undertaking property and real estate advisory transactions in order to evaluate associated risks and reach informed decisions. AHDRML may consider strengthening its policy framework further by including a risk management policy and documenting the decision making process appropriately.

- **Amendments in Regulatory Regime**

In 2015, the regulatory framework for REITs was amended where requirements for minimum capital of a REIT Management Company, fund size of REIT and number of units to be held by a single investor were relaxed. These amendments are expected to encourage more funds to be launched by the company.

- **Funds Under Management**

AHDRML currently manages a single fund by the name of Dolmen City REIT (DCR). Management plans to launch new funds in the coming years; progress on the same will be monitored over time. In order to maintain the REIT property in desirable conditions, AHDRML had appointed Dolmen Real Estate Management (Private) Limited (DREM) as a property manager. Property management is monitored through quarterly performance reviews. Performance of DCR continues to remain in line with projections and will continue to drive topline growth for AHDRML.

- **Financial Analysis**

Given that top line of the company depends heavily on revenue generated by its single fund, profitability of AHDRML has depicted improvement on year on year basis. Barring the one-off disposal of DCR units held by the RMC, profitability of the company have remained within manageable levels. Moreover, the subordinated loan from its associate has also been fully settled.

## Arif Habib Dolmen REIT Management Ltd.

## Appendix I

<b>BALANCE SHEET (Rs. In Millions)</b>	<b>9MFY18</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
<b>Non-current Assets</b>	66.0	128.5	1,397.1	1,475.3
<i>Investment Property</i>	-	-	1,200.8	1,224.1
<b>Current Assets</b>	101.9	1,411.6	90.7	71.1
<b>Non-current Liabilities</b>	-	32.5	975.8	919.1
<b>Current Liabilities</b>	17.6	1,011.1	149.5	202.4
<b>Net Equity</b>	150.3	496.6	362.5	424.9
<b><u>INCOME STATEMENT</u></b>				
<b>Management Fee</b>	61.0	77.5	69.6	5.3
<b>Administrative Expenses</b>	34.2	47.4	44.2	30.7
<b>Operating Profit</b>	26.7	30.0	25.4	(25.4)
<b>Profit/ (Loss) after tax</b>	(142.8)	19.6	(39.1)	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>	Arif Habib Dolmen REIT Management Ltd		
<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>
	17-Sep-18	AM2 (RMC)	Reaffirmed
	25-Jul-16	AM2 (RMC)	Reaffirmed
	4-May-16	AM2 (RMC)	Harmonized
	8-Jun-15	AM2-(RMC)	Initial
<b>Instrument Structure</b>	N/A		
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