

## RATING REPORT

## Pak-Gulf Leasing Company Limited (PGLC)

**REPORT DATE:**

May 16, 2022

**RATING ANALYSTS:**

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## RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A-2	A-	A-2
Rating Outlook	Stable		Negative	
Rating Date	May 16, 2022		September 01, 2021	

## COMPANY INFORMATION

Incorporated in 1994	External Auditors: M/s. BDO Ebrahim & Co. Chartered Accountants
Public Listed Company	Chairman of the Board: Mr. Sohail Inam Ellahi
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Mahfuz ur Rehman Pasha
Mr. Pervez Inam – 15.58%	
Mr. Muhammad Ali Pervez – 14.26%	
Mr. Hassan Sohail – 14.26%	
Mr. Sohail Inam Ellahi – 9.66%	
Mr. Javed Inam Ellahi – 6.66%	
Unibro Industries Ltd – 5.91%	
Mr. Fawad S Malik – 5.32%	
Mid East Agencies (Pvt.) Ltd – 5.07%	

## APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Non-Bank Financial Companies (March 2020)

<http://vis.com.pk/kc-meth.aspx>

**Pak Gulf Leasing Company Limited (PGLC)**

**OVERVIEW OF THE INSTITUTION**

Pak-Gulf Leasing Company Limited (PGLC) was incorporated in 1994 as a public limited company and commenced operations from September 16, 1996. Financial statements for FY20 have been audited by M/s Grant Thornton Anjum Rahman Chartered Accountants

**Profile of Chairman:**

Mr. Sohail Inam Ellahi is the present CEO of Unibro Industries Limited. He has been associated with PGLC from the Company's inception and has also previously served as the Chief Executive Officer of PGLC. He is an Associate in Arts from Foothill College of the California Community Colleges, USA & holds a Bachelor of Science degree in Business Administration (Accounting) from San Jose State University in California, USA. He is a former Member of the Executive Committee of APTMA.

**Profile of CEO:**

Mr. Mahfuz-ur-Rehman Pasha served as an Officer of the Inland Revenue Service of the Federal Government of Pakistan for 30 years, before retiring in 2011, in BPS-21. He took up the position of CEO of PGLC in 2013. Mr. Pasha holds a B.Sc. (Electrical Engineering) degree from the University of Peshawar and a Diploma in Elementary German Language. He is an Associate Member of the Institute of Engineers, Pakistan (IEP) and a Certified Director from the Pakistan Institute of Corporate Governance (PICG). He currently serves as a Director on the Boards of Kaghan Development Authority, National Power Parks Management Company (Private) Limited. Mr. Pasha is also a former Chairman & a Member of the Executive Committee of the NBF & Modaraba Association of Pakistan.

**RATING RATIONALE**

Pak-Gulf Leasing Company Limited ('PGLC' or 'the Company') is a prominent leasing company that has been an active institution in the Pakistani leasing sector for over the last 25 years. Currently, the Company operates out of the head office in Karachi and a branch office located in Lahore. PGLC is listed on Pakistan Stock Exchange. Shareholding pattern illustrates that majority interest is held by members of the Unibro Business Group and its associated companies.

**Key Rating Drivers**

**The revision in outlook incorporates improvement in asset quality indicators**

- Improvement has been noted in asset quality indicators wherein gross infection trended down to 16.8% as at Jun'21 from 17.8% as at Jun'20. As at Mar'22, gross infection further declined to 10.4%.
- Moreover, in tandem with decreasing gross infection and increasing provisioning coverage of 59.4% as at Jun'21 & 63.3% in Mar'22 (Jun'20: 37.0%), net infection of the Company improved to 7.5% as at Jun'21 and 4.0% as at Mar'22 (Jun'20: 12.0%).
- The improvement in asset quality indicators emanated from provisioning recoveries of Rs. 35.4mn in 9MFY22, which ultimately supported the profitability of PGLC in the same period.

**Pak Gulf Leasing Company Limited (PGLC)**
**Appendix I**

<b>FINANCIAL SUMMARY</b> (amounts in PKR millions)						
<b>BALANCE SHEET</b>		<b>Jun'19</b>	<b>Jun'20</b>	<b>Jun'21</b>	<b>Mar'22</b>	
Investment Property		154	154	154	154	
Short Term Investments		57	65	34	48	
Net Investment in Leases*		1,611	1,483	1,428	1,751	
Total Assets*		1,874	1,845	1,666	1,983	
Borrowings		857	778	641	791	
-COI		392	404	191	280	
Paid Up Capital		254	254	254	254	
Tier-1 Equity		666	657	675	763	
Net Worth		759	750	769	856	
<i>*Net of investment in Finance lease</i>						
<b>INCOME STATEMENT</b>		<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>9M'FY21</b>	<b>9M'FY22</b>
Net Mark-up Income (excludes finance cost)		148	141	154	144	121
Other Income		18	10	10	8	8
Operating Expenses		79	68	61	44	47
Operating Profit		87	83	103	108	82
Provisioning Charges		(16)	(62)	(75)	(134)	35
Profit (Loss) Before Tax		71	22	28	(25)	118
Profit (Loss) After Tax		64	11	25	(23)	88
<b>RATIO ANALYSIS</b>		<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>9M'FY21</b>	<b>9M'FY22</b>
Gross Infection (%)		4.2%	17.8%	16.8%	16.8%	10.4%
Provisioning Coverage (%)		61.6%	37.0%	59.4%	59.4%	63.3%
Net Infection (%)		1.6%	12.0%	7.5%	7.5%	4.0%
Efficiency (%)		47.5%	44.9%	37.2%	37.2%	36.3%
ROAA (%)		2.5%	0.4%	1.0%	1.0%	3.3%
ROAE (%)		8.7%	1.44%	3.2%	3.2%	10.8%
Current Ratio (x)		1.34	1.53	1.29	1.29	1.28

**VIS Credit Rating Company Limited**

**RATING SCALE & DEFINITIONS: ISSUES / ISSUERS**

**Medium to Long-Term**

**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**

A high default risk

**C**

A very high default risk

**D**

Defaulted obligations

**Short-Term**

**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**

Capacity for timely payment of obligations is doubtful.

**Rating Watch:** VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.vis.com.pk/images/criteria\\_watch.pdf](http://www.vis.com.pk/images/criteria_watch.pdf)

**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.vis.com.pk/images/criteria\\_outlook.pdf](http://www.vis.com.pk/images/criteria_outlook.pdf)

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

**(blr) Rating:** A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.vis.com.pk/images/policy\\_ratings.pdf](http://www.vis.com.pk/images/policy_ratings.pdf)

**'SD' Rating:** An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES		Appendix III			
<b>Name of Rated Entity</b>	Pak Gulf Leasing Company Limited (PGLC)				
<b>Sector</b>	Non-Bank Financial Institution (NBFC)				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	16-May-22	A-	A-2	Stable	Maintained
	01-Sep-21	A-	A-2	Negative	Reaffirmed
	30-Jun-20	A-	A-2	Stable	Reaffirmed
	22-Apr-19	A-	A-2	Stable	Reaffirmed
	30-Jan-18	A-	A-2	Stable	Reaffirmed
	30-Dec-16	A-	A-2	Stable	Reaffirmed
	27-Nov-15	A-	A-2	Stable	Reaffirmed
	25-Sep-14	A-	A-2	Stable	Upgrade
06-Apr-13	BBB+	A-3	Stable	Reaffirmed	
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>		<b>Date</b>	
	NA	NA		NA	