

PAK-GULF LEASING COMPANY LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	May 12, 2026		December 24, 2024	

Shareholding (5% or More)

Pervez Inam ~ 15.68%
Muhammad Ali Pervez ~ 14.26%
Hassan Sohail ~ 14.26%
Sohail Inam Ellahie ~ 9.78%
Javed Inam Ellahie ~ 6.76%
Unibro Industries ~ 5.91%
Fawad S. Malik ~ 5.32%
Mid-East Agencies (Pvt.) Ltd. ~ 5.07%

Other Information

Incorporated in 1994

Public Listed Company

Chairperson: Mr. Sohail Inam Ellahi

Chief Executive Officer: Mahfuz-ur-Rahman Pasha

External Auditor: M/S BDO Ebrahim & Company, Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Non-Bank Financial Companies

<https://docs.vis.com.pk/Methodologies%202024/NBFCs202003.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings to Pak Gulf Leasing Company Limited (PGLC or “the NBFC”) reflect its long-standing operational track record in the leasing sector, albeit within a contracting domestic leasing segment characterized by limited scale and competition from commercial banks. The ratings incorporate the NBFC’s cautious business strategy during the review period, wherein management maintained prudent risk selection and focused on financially sound existing clients. Portfolio volumes remained contained, with moderation observed in total exposure levels despite some recovery in fresh disbursements, particularly within vehicle financing.

Profitability indicators exhibited pressure due to reduced leasing activity and lower net interest mainly attributable to a sustained reduction in financing activity over the past three years, driven by elevated KIBOR levels and subdued industrial activity, resulting in a decline in spreads and earnings levels. While operating expenses remained broadly contained and finance costs declined in line with reduced borrowings, overall profitability weakened during 3QFY26 due to subdued business volumes. Asset quality indicators reflected marginal improvement during Dec’25 supported by recoveries, with lease-related NPLs declining slightly and provisioning coverage strengthening.

The ratings further incorporate the NBFC's adequate capitalization profile, supported by modest internal capital generation and limited reliance on borrowings, resulting in stable gearing and improved leverage indicators. Going forward, the NBFC's ratings remain sensitive to its ability to restore portfolio growth, sustain asset quality indicators, and maintain adequate liquidity coverage while operating within a constrained industry environment.

Company Profile

PGLC was incorporated in 1994 as a public limited company and commenced operations on September 16, 1996. The NBFC is licensed to operate as a deposit-taking Non-Banking Finance Company (NBFC), primarily engaged in leasing activities. The NBFC's core offerings comprise conventional finance leases structured with variable repayment tenors aligned to clients' cash flow profiles. In addition, PGLC provides vehicle financing facilities, offering funding of up to 90% of the asset value with defined repayment schedules.

The NBFC is part of the Unibro Group and majority shareholding (above 70%) is held with the sponsors directly as well as through their business concerns – Unibro Industries and Mid-East Agencies. Fawad Malik is also a co-sponsor with 5% shareholding.

Sponsor Profile

Unibro Group is a Pakistan-based textile group with primary operations in the manufacturing and export of home textile products. The Group operates through Unibro Industries Limited, a vertically integrated textile company engaged in fabric processing, dyeing, printing, and stitching, with a product range comprising bed linen, curtains, quilts, and other home furnishing items. The Group caters to both domestic and international markets, with exports representing a significant portion of business volumes.

Management and Governance

BOARD OF DIRECTORS

The Board comprises ten (10) members, including three (3) independent directors, six (6) non-executive directors, and one (1) executive director (the Chief Executive Officer). The Board also includes one female director, reflecting compliance with gender diversity requirements. The most recent election of the Board of Directors was held at the General Meeting on April 22, 2025. All retiring directors were re-elected, except one director- Fawad Salim Malik- who did not seek reappointment; in his place, a former director was appointed.

In line with regulatory requirements, four (4) directors have completed the Directors' Training Program (DTP) prescribed by SECP, while one (1) director qualifies for exemption based on relevant experience and credentials. Board committees, including the Audit Committee, Human Resource & Remuneration Committee, and Risk Management Committee, are duly constituted in accordance with applicable regulations. Overall, no material adverse changes in Board composition have been observed and governance practices are considered satisfactory in the context of regulatory expectations.

CHAIRMAN/ CEO PROFILE

Mr. Sohail Inam Ellahi serves as **Chairman** of PGLC and was appointed/re-elected as a Non-Executive Director in April 2025. Mr. Ellahi has extensive involvement across group and associated textile and trading businesses, currently serving as Chief Executive of Unibro Industries Limited and as Director at United Brothers (Pvt.) Ltd., Mid East Agencies (Pvt.) Ltd., Unibro Textile Mills Ltd., and Unibro Garments (Pvt.) Ltd. He has also previously served as a Member of the Executive Committee of the All-Pakistan Textile Mills Association (APTMA). Mr. Ellahi holds an associate in arts from Foothill College, California Community Colleges, USA, and a Bachelor of Science in Business Administration (Accounting) from San Jose State University, California, USA.

Mr. Mahfuz-ur-Rehman Pasha has served as **Chief Executive Officer** of the Company since July 19, 2013, following his appointment as Executive Director in March 2013. He holds directorships at House Building Finance Company and has previously served as Chairman and Executive Committee Member of the NBF & Modaraba Association of Pakistan. Mr. Pasha brings extensive public-sector experience of approximately 39 years with the Provincial Government of Khyber Pakhtunkhwa and the Federal Government of Pakistan, including senior roles within the Inland Revenue Service, Federal Board of Revenue, and the Ministry of Finance. He holds a B.Sc. in Electrical Engineering from Peshawar University, is an Associate Member of the Institute of Engineers Pakistan.

Business Risk

INDUSTRY UPDATE:

The NBFC sector expanded significantly in FY25, with total assets increasing by 42% to PKR 5.64 trillion, and rising a further 21% to PKR 6.84 trillion by December 2025. Growth was broad-based, led by mutual funds (over two-thirds of sector assets), followed by non-bank microfinance companies and investment banks, while leasing and housing finance remained marginal. Despite a 50-bps policy rate cut to 10.5% in December 2025, investor preference for money market and income funds persisted, reflecting demand for liquid, lower-risk instruments amid volatile equity markets.

Modarabas expanded through Islamic structures, and non-bank microfinance institutions leveraged digital platforms to extend outreach. Lower borrowing costs from monetary easing supported credit flows, though fiscal consolidation and weak private investment capped expansion. SECP facilitated growth through digital onboarding, streamlined licensing, and enhanced sector oversight.

Leasing remained a small segment (0.1% of NBFC assets), with only three players operating as of December 2025. Policy rate cuts reduced funding costs and lease rentals, driving a gradual demand recovery after prolonged high rates. Fiscal measures weighed on disposable incomes and corporate investment appetite, though some budgetary adjustments (withdrawal of minimum rent provision, rationalized bank taxation) supported stability.

Looking ahead, NBFC growth will hinge on macroeconomic recovery. Mutual funds are expected to dominate, modarabas to deepen Islamic offerings, and microfinance players to expand digitally. Leasing prospects will depend on rate stability, SME demand, and investment in transport and manufacturing assets.

Pakistan's financial system is progressing toward the implementation of a fully Shariah-compliant framework by 2028, requiring Non-Bank Financial Institutions (NBFIs), including leasing companies, to gradually transition conventional financing structures into Islamic modes. Leasing companies are expected to face comparatively greater challenges due to the asset-ownership requirements under Islamic leasing, higher documentation and compliance costs, and taxation issues—particularly the treatment of Ijarah-based leases where sales tax may be applied on the full rental stream, including principal recovery, affecting product viability. In response to these challenges, leasing players are engaging with regulators and tax authorities to seek harmonization of tax treatment between Islamic and conventional leasing structures to preserve commercial sustainability of Islamic financing operations.

PORTFOLIO COMPOSITION

The company had contained lending operations in the past 3 years in view of rising interest rates and vulnerable economic activity in order to preserve the credit quality of the portfolio. FY25 saw a continuation of this trend as the NBFC continued to exercise prudent oversight, prioritizing risk management, compliance, and financial discipline and focused on business with financially sound, well-established existing clients. This approach led to a reduction in total exposure as of FY25 which reduced to PKR 1.2bn (FY24: PKR 1.8bn) whereas the fresh disbursements rose moderately to PKR 169.0mn (FY24: PKR 108.4mn).

However, with improved confidence in macroeconomic recovery, the company is now targeting growth albeit maintaining their cautious approach with reversal in the declining trend observed in the previous years. The Gross Lease and Loan portfolio increased moderately to PKR 1.3bn with finance leases dominating the mix, alongside growth was observed in vehicle leases which reached PKR 195.9mn (FY25: 67.5mn) as of Dec'25. Fresh disbursements were valued at PKR 384.7mn during 1HY26. The NBFC's strategy is to increase exposure once the economic activity increases and reduce it once uncertainty arises to contain the credit risk. Going forward, management indicated that the NBFC will try to higher exposure in plants and equipment.

GROSS PORTFOLIO (All Amounts in PKR Millions)

LEASE PORTFOLIO	FY23	FY24	FY25	1HFY26
Gross Investment In Finance Lease	2,369.1	1,505.1	934.4	915.8
LOAN PORTFOLIO				
Auto Finance Loans	133.48	75.26	67.52	195.89
UNDER LITIGATION				
Portfolio under Litigation	89.81	176.20	225.44	221.56
Gross Portfolio (Loan + Lease+ Litigation)	2,592.41	1,756.62	1,227.36	1,333.21

The sector-wise portfolio reflects concentration in Individuals (1HFY26: 29.6%; FY25: 33.0%), Chemical & Pharmaceuticals (1HFY26: 13%; FY25: 4.0%), Healthcare (1HFY26: 11.8%; FY25: 14.2%) and Electrical Goods (1HFY26: 8.0%; FY25: 8.4%). Top 5 sectors account for 86.6% (FY25: 84.3%) of the total leasing portfolio, Going forward, management has indicated plans to enhance exposure in non-cyclical sectors such as Pharmaceuticals and hospitals and disbursements of PKR 1.0bn are expected for FY26.

Table 1: Sector-Wise Portfolio (All Amounts in PKR Millions)

SECTOR-WISE LEASE PORTFOLIO	FY24	%	FY25	%	1HFY26	%
Individuals	552.95	27.3%	452.03	33.0%	404.01	29.6%
Chemical, Fertilizers and Pharmaceuticals	58.95	2.9%	54.61	4.0%	177.37	13.0%
Health Care	265.74	13.1%	195.22	14.2%	160.92	11.8%
Electrical Goods	127.52	6.3%	114.45	8.4%	109.13	8.0%
Hotels	112.94	5.6%	84.02	6.1%	69.57	5.1%
Services	31.46	1.6%	23.59	1.7%	45.27	3.3%
Energy, Oil and Gas	42.51	2.1%	42.51	3.1%	42.51	3.1%
Advertisements & Publications	25.42	1.3%	13.62	1.0%	13.62	1.0%
Transport and Communication	7.04	0.3%	5.43	0.4%	5.43	0.4%
Steel, Engineering and Auto	66.46	3.3%	37.47	2.7%	5.07	0.4%
Food, Tobacco and Beverage	148.22	7.3%	1.49	0.1%	1.49	0.1%
Construction	26.53	1.3%	2.02	0.1%	0.42	0.0%
Packaging	0.03	0.0%	0.04	0.0%	0.04	0.0%
Textile	5.04	0.2%	5.07	0.4%		0.0%
Others	553.25	27.3%	338.59	24.7%	329.12	24.1%
Total	2,024.05	100.0%	1,370.15	100.0%	1,363.97	100.0%

*Only Gross investment in Finance lease (Includes Residual Value of Leased Assets)

PROFITABILITY

PGLC's markup income declined to PKR 145.2mn (FY24: PKR 218.7mn) in FY25 in line with limited leasing activity and a decline in policy rates. Moreover, income from short-term investments rose to PKR 49.3mn (FY24: PKR 40.6mn) due to higher profits on bank accounts. Other income recorded a modest increase to PKR 21.4mn (FY24: PKR 19.0mn); the same primarily relates to rental income on investment property. Operating expenses remained range-bound, while finance costs were reduced due to limited financing activity and low borrowings. Overall spread earned declined to 5.03% (FY24: 9.84%). Consequently, the efficiency ratio reduced to 29.0% (FY24: 22.0%) for FY25. The NBFC reported a Profit After Tax of PKR 73.6mn (FY24: PKR 78.8mn) for FY25. Applicable tax on the NBFC reduced to 29.9% (FY24: 44.9%) in line with reduction in other taxes.

For the period 1HFY26, earning from leasing and investment declined significantly to PKR 52.8mn (1HFY25: PKR 94.7mn) and PKR 9.7mn (1HFY25: PKR 36.6mn) respectively in relation to Same Period Last Year (SPLY). As per management, the business activity remains restricted due to unfavorable market condition therefore the Net Interest Income reduced to PKR 58.0 (1HFY25: PKR 105.3mn) for the year-1HFY26. Efficiency ratio of PGLC rose to 52.4% (1HFY25: 22.6%) and PAT declined to PKR 33.4mn (1HFY25: PKR 81.2mn). Furthermore, during March'26, the NBFC's markup income continued to decline due to limited business volumes and a PAT of PKR 54.2mn as opposed to a profit of PKR 61.0mn for the Same Period Last Year.

Financial Risk

CAPITALIZATION

The equity base of the NBFC increased to PKR 845.1mn (FY25: PKR 694.5mn) as of end-March'26, supported by a gradual buildup in reserves to PKR 350.4mn (FY25: PKR 296.3mn). PGLC's growth in capital has remained slow and steady with contained operations. Likewise, funding

also remained contained with declining level of outstanding Certificate of Investments (COIs) and overall debt levels. Consequently, gearing remained stable at 0.02x (FY25: 0.02x), while leverage improved to 0.67x (FY25: 0.94x).

ASSET QUALITY

As of 1HFY26, asset quality indicators reflected slight improvement, supported by recoveries across segments. The Auto Finance portfolio remained free of NPLs; however, the NBFC continues to maintain a nominal provisioning buffer against this segment. NPLs within the lease portfolio declined marginally to PKR 70.0mn (FY25: PKR 72.6mn) as of 1HFY26, resulting in a modest improvement in infection ratios. Total provisioning held against the lease portfolio stood at PKR 49.5mn (FY25: PKR 50.5mn), translating into a provisioning coverage of 70.8%. In addition, exposures under litigation declined slightly to PKR 221.6mn (FY25: PKR 225.4mn) as of 1HFY26. These exposures under litigation represent net investment in finance leases that were terminated by the NBFC. Provisioning maintained against these litigated exposures was recorded at PKR 133.0mn (FY25: PKR 132.4mn), resulting in improved coverage of 60.0% (FY25: 58.7%).

ASSET QUALITY	FY23	FY24	FY25	1HFY26
FINANCE LEASE				
Gross Infection	10.81%	10.42%	7.77%	7.64%
Net Infection	6.55%	7.33%	3.11%	2.86%
Provisioning Coverage	51.5%	45.6%	69.5%	70.8%
AUTO FINANCE LOANS				
Gross Infection	0.0%	15.9%	0.0%	0.0%
Net Infection	-1.64%	13.42%	-0.63%	-0.58%
PORTFOLIO UNDER LITIGATION				
Gross Infection	13.3%	19.6%	24.3%	21.9%
Net Infection	51.50%	50.08%	41.27%	39.99%
Provisioning Coverage	48.5%	49.9%	58.7%	60.0%

To maintain the asset quality indicators, the NBFC only aims to increase exposure in non-cyclical sectors that are less susceptible to economic fluctuations. Moreover, new disbursements are only made to existing clients to reduce the credit risk.

INVESTMENTS

PGLC's investment portfolio remained at PKR 50.0mn (FY25: PKR 49.3mn) which remained dominated by government securities to the tune of PKR 52.1mn (FY25: PKR 42.2mn), in order to comply with the NBFC Regulations requirement of maintaining a minimum 15% investment of funds raised through Certificates of Investment (CoIs). These government securities included Market Treasury Bills having an effective rate of return 10.6% (June 30, 2025: 11.50%) per annum. Credit risk from the portfolio is minimal given the dominance of government securities.

INVESTMENTS	FY24		FY25		3QFY26	
At fair value through other comprehensive income - FVOCI						
National Investment (Unit) Trust - opening	2,748.8	6.8%	4,773.1	9.7%	7,185.0	12.1%
Remeasurement gain on revaluation at fair value	2,024.3	5.0%	2,411.9	4.9%	26.8	0.0%
Government securities	35,776.7	88.2%	42,126.6	85.4%	52,053.0	87.8%
Total	40,550	100%	49,312	100%	59,265	100%

LIQUIDITY

PGLC's liquidity profile remains adequate despite a decline in coverage of liabilities by liquid assets to 34.0% (FY25: 42.9%; FY24: 38.0%) by end-March'26. This decline was attributable to a decline observed in the cash balances that impacted the liquid assets.

The NBFC issues Certificates of Investment (COIs) for tenors ranging from 12 to 36 months (June 30, 2025: 12 to 36 months), carrying mark-up rates between 10.70% and 10.95% per annum (June 30, 2025: 11.15% to 21.75%). The funding tenors are broadly aligned with the maturity profile of earning assets, reflecting an asset-liability strategy centered on medium-term, fixed-rate liabilities to support lease and financing expansion. This funding structure limits reliance on a single funding source, though funding costs remain sensitive to prevailing interest rate conditions.

Current ratio has improved to 3.92x (FY25: 2.76x; FY24: 2.84x), given the decline in liabilities as the Company limited their issuance of COIs aligning with their conservative growth observed in FY25 and 3QFY26.

FINANCIAL SUMMARY (amounts in PKR millions)					
	FY23	FY24	FY25	1HFY26	3QFY26
BALANCE SHEET					
Investment Property	164.7	169.9	175.0	175.0	175.0
Cash	205.1	354.9	281.1	109.6	132.3
Short Term Investments	55.6	40.5	49.3	51.0	59.3
Liquid Assets	260.7	395.4	330.4	160.5	191.6
Net Investment in Leases	2,074.0	1,325.4	870.4	997.9	970.4
Total Assets	2,528.8	1,950.5	1,446.3	1,407.4	1,408.0
Borrowings	291.8	52.5	16.2	13.1	13.6
COI (Deposits)	341.4	227.1	106.2	59.2	41.8
Total Liabilities	1,699.3	1,040.2	655.4	582.2	562.9
Paid Up Capital	494.7	494.7	494.7	494.7	494.7
Tier-1 Equity	737.5	816.3	694.5	726.8	845.1
Net Worth	829.5	910.4	791.0	825.3	845.1
INCOME STATEMENT					
Net Mark-up Income (excludes finance cost)	159.9	184.9	161.7	58.0	87.5
Other Income	12.5	19.0	21.4	8.5	12.7
Operating Expenses	52.7	57.6	58.4	32.8	47.4
Operating Profit	119.7	146.2	124.7	33.7	52.9
Provisioning Charges	(40.9)	(3.2)	(19.7)	(0.6)	4.4
Profit (Loss) Before Tax	78.8	142.9	105.0	33.4	56.6
Profit (Loss) After Tax	56.6	78.8	73.6	32.4	54.2
RATIO ANALYSIS					
Gross Infection (%)	13.3%	19.6%	24.3%	21.9%	22.5%
Provisioning Coverage (%)	45.9%	46.8%	61.5%	63.0%	90.2%
Net Infection (%)	9%	13.8%	13.2%	10.8%	2.2%
Efficiency (%)	21.1%	22.0%	29.0%	52.4%	50.4%
Liquid assets to liabilities	15.3%	38.0%	50.4%	27.6%	34.0%
ROAA (%)	2.1%	3.5%	4.3%	4.5%	5.1%
ROAE (%)	6.6%	9.1%	8.7%	8.0%	8.8%
Current Ratio (x)	1.72	2.84	2.76	4.05	3.92

*Annualized

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Pak Gulf Leasing Company Limited				
Sector	Non-Bank Financial Companies				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	05/12/2026	A-	A2	Stable	Reaffirmed
	12/24/2024	A-	A2	Stable	Reaffirmed
	09/21/2023	A-	A2	Stable	Reaffirmed
	05/16/2022	A-	A2	Stable	Maintained
	09/21/2021	A-	A2	Negative	Reaffirmed
	06/30/2020	A-	A2	Stable	Reaffirmed
	04/22/2019	A-	A2	Stable	Reaffirmed
	01/30/2018	A-	A2	Stable	Reaffirmed
	12/30/2016	A-	A2	Stable	Reaffirmed
	11/27/2015	A-	A2	Stable	Reaffirmed
	09/25/2014	A-	A2	Stable	Upgrade
04/06/2013	BBB+	A3	Stable	Reaffirmed	
Instrument Structure	N/A				
Statement by the Rating Team	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.				
Probability of Default	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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Due Diligence Meetings Conducted	Name	Designation		Date	
	Mehreen Usama	CFO		March 26, 2026	