

RATING REPORT

Saudi Pak Industrial and Agricultural Investment Company Limited

REPORT DATE:

June 28, 2025

RATING ANALYST:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AAA	A1+	AA+	A1+
Outlook/ Rating Watch	Stable		Stable	
Rating Action	Upgrade		Reaffirmed	
Rating Date	June 28, 2025		June 28, 2024	

COMPANY INFORMATION

Incorporated in 1981	External auditors: Grant Thornton Anjum Rahman – Chartered Accountants
Unlisted Public Company	Chairman of the Board: Mr. Sultan Abdulrauf
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Rizwan Ahmed Sheikh
Government of Pakistan – 50%	
Kingdom of Saudi Arabia – 50%	

APPLICABLE METHODOLOGY(IES)

Applicable Rating Criteria: Government Supported Entities

<https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf>

Financial Institutions Rating

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

APPLICABLE RATING SCALE

VIS Issue/Issuer Rating Scale:

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

Saudi Pak Industrial and Agricultural Investment Company Limited

OVERVIEW OF
THE
INSTITUTION

Saudi Pak Industrial & Agricultural Investment Company Limited (Saudi Pak) is a development financial institution. It has a Head Office in Islamabad and regional offices in Lahore and Karachi. Saudi Pak was founded in 1981 and later changed its status to a public unlisted company.

Profile of Chairman

Mr. Sultan Abdulrauf, a nominee of KSA, has more than 24 years of experience in corporate finance and equity management.

Profile of CEO

Mr. Rizwan Sheikh is a seasoned professional with more than 25 years of experience in driving portfolio strategy for local and international banks and rolling out innovative responsible finance initiatives for corporate and MSME customers.

RATING RATIONALE

The entity ratings of Saudi Pak Industrial and Agricultural Investment Company Limited ('SAPICO' or the 'DFI') reflects its strong ownership structure, with equal shareholding by the Governments of Pakistan (GoP) and the Kingdom of Saudi Arabia (KSA), signifying dual sovereign support. The assigned rating derives strength from the sound sovereign rating of KSA which has been upgraded to 'A+' from A on March 2025 by S&P. The DFI's governance framework remains sound as per their JV agreement, with experienced representation on the board and active oversight through well-functioning board committees.

SAPICO demonstrated considerable asset expansion during the review period, supported primarily by increased borrowings. Although the investment book contracted subsequently, it remained the most significant asset allocation, with the majority held as low-risk government securities. The gross advances portfolio showed 36% growth compared to December 2023, with sector-wise exposure concentrated in textiles, power, and transport. Asset quality improved, evidenced by a decline in non-performing loans and healthy provisioning coverage.

Profitability indicators witnessed an improvement driven by higher net interest income, improved spreads, and reduced funding costs. Operational efficiency is also enhanced, supported by better cost management. Capitalization remains strong, with a high capital adequacy ratio and sufficient internal capital generation.

Liquidity indicators remain satisfactory despite some fluctuations, and the institution maintains adequate buffers relative to its funding structure. Comfort is drawn from the secured nature of these borrowings and the high proportion of liquid assets.

SAPICO's strategic focus on green finance, infrastructure, and digital initiatives aligns with its developmental mandate and supports its relevance in a changing financial landscape. Going forward, ratings will remain dependent on SAPICO's ability to sustain asset quality, profitability, and capitalization metrics. Strategic alignment with its developmental mandate and prudent risk management will also be critical.

DFI Sector

Development Finance Institutions (DFIs) in Pakistan play a critical role in supporting long-term investments in key sectors such as housing, SMEs, infrastructure, and agriculture. However, their performance has remained under pressure due to structural limitations, risk-averse operating models despite having been set up with core development mandates, and the crowding out effects of fiscal requirements affecting the entire financial sector. During the last quarter of 2024, a new DFI was added to the sector - EXIM Bank. By Dec'24, the industry witnessed a 15.3% (Dec'23: 63.3%↑) contraction in its asset base, primarily manifested in 18.6% (Dec'23: 73.3%↑) drop in investments—mainly in government securities, which still made up 83.2% (Dec'23: 86.6%) of total assets.

Although advances grew modestly by 1.5% (Dec'23: 0.1%), they remained a small part of the overall asset book, at only 9.7% (Dec'23: 8.0%) of assets. Public sector lending, especially housing finance by a single DFI, supported this limited growth, while private sector advances declined by 0.7%. Investment composition shifted toward longer-tenor Pakistan Investment Bonds (PIBs), as institutions sought to mitigate the impact of declining yields. Simultaneously, short-term Market Treasury Bills (MTBs) dropped by 79.4%.

Earnings remained healthy despite a shrinking asset base. Net interest income remained relatively stable at PKR 25 billion, while non-interest income rose sharply, driven by a 79.8% increase in dividend earnings—largely attributed to one DFI's stake in a major Islamic bank. This contributed to a 34.7% rise in after-tax profits, pushing ROA to 1.2% and ROE to 17.1%. However, net interest margins were squeezed due to relatively sticky funding costs amid falling returns on earning assets. Asset quality showed some deterioration,

with the NPL ratio rising to 8.0% (Dec'23: 7.4%) and provisioning coverage falling to 78.6% (Dec'23: 114.8%).

The sector remains well capitalized, with a capital adequacy ratio (CAR) of 52.5% (Dec'23: 43.3%), well above the 11.5% minimum requirement. DFIs in Pakistan continue to face structural challenges, including limited access to deep capital markets for long-term funding, a low national savings rate, and the absence of concessional funding mechanisms that are available to their counterparts in other jurisdictions. In the medium term, declining yields on government securities may exert pressure on future earnings. In response, DFIs are investing in areas such as digital banking, venture capital, and Islamic finance to align more closely with evolving market needs. Despite ongoing macroeconomic uncertainty, there are emerging investment opportunities in green finance, infrastructure development, and public-private partnership (PPP) models. Realizing this potential will require a supportive regulatory environment and a strategic repositioning of DFIs to more effectively fulfill their original mandate of promoting long-term, inclusive development

Saudi Pak Industrial and Agricultural Investment Company Limited Annexure I

FINANCIAL SUMMARY		<i>(in PKR million)</i>			
<u>BALANCE SHEET</u>	Dec-22	Dec-23	Dec-24	Mar-25	
Total Investments	36,321.0	35,336.5	145,017.7	24,575.9	
Net Advances	9,119.3	8,262.2	12,724.5	13,383.2	
Total Assets	53,606.4	56,137.4	170,624.9	48,234.0	
Borrowings	36,774.9	37,199.3	145,684.4	25,521.4	
Deposits & other accounts	1,953.0	3,665.0	5,296.8	4,226.0	
Total Liabilities	39,563.1	41,958.5	154,389.8	31,742.8	
Paid-Up Capital	6,765.0	6,765.0	6,765.0	6,765.0	
Tier-1 Equity	12,253.6	12,299.9	13,545.3	13,789.6	
Net Worth (Exc. Surplus on Reval.)	12,730.3	12,599.5	13,550.4	13,694.4	
<u>INCOME STATEMENT</u>	2022	2023	2024	1QCY25	
Net Mark-up Income	499.3	334.1	1,087.3	572.1	
Net Provisioning / (Reversal)	319.0	467.4	-169.7	-64.8	
Non-Markup Income	740.2	1,252.7	807.5	126.3	
Operating Expenses	527.5	561.4	675.5	213.6	
Profit Before Tax	394.0	557.9	1,383.9	549.6	
Profit After Tax	310.7	507.6	919.8	319.8	
<u>RATIO ANALYSIS</u>	2022	2023	2024	1QCY25	
Gross Infection (%)	24.2%	22.4%	15.8%	15.2%	
Net Infection (%)	5.5%	-4.1%	0.0%	0.0%	
Specific Provisioning Coverage (%)	81.7%	113.6%	99.9%	99.9%	
General Provisioning Coverage (%)	1.0%	3.3%	3.4%	2.9%	
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	4.1%	-2.8%	0.0%	0.0%	
Cost of funds* (%)	12.0%	19.8%	10.3%	8.9%	
Markup Spreads* (%)	-0.6%	1.3%	0.3%	1.6%	
Efficiency* (%)	93.2%	97.6%	93.8%	84.0%	
ROAA* (%)	0.6%	0.9%	0.8%	1.2%	
ROAE* (%) (Exc. Surplus on Reval.)	2.5%	4.0%	7.0%	9.4%	
Liquid Coverage Ratio (%)	140.8%	164.1%	108.8%	129.2%	
Net Stable Funding Ratio (%)	169.0%	154.6%	191.6%	121.6%	
Liquid Assets to Deposits & Borrowings** (%)	68.1%	46.2%	11.9%	61.4%	
Gross Advances to Deposits Ratio*** (%)	450.0%	244.7%	265.9%	349.0%	
Capital Adequacy Ratio (%)	42.9%	42.4%	40.0%	49.0%	

*Annualized

REGULATORY DISCLOSURES				Appendix II	
Name of Rated Entity	Saudi Pak Industrial and Agricultural Investment Company Limited				
Sector	Development Finance Institution (DFI)				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History				Outlook/ Rating Watch	
	Rating Date	Medium to Long Term	Short Term		Rating Action
	RATING TYPE: ENTITY				
	28-Jun-25	AAA	A1+	Stable	Upgrade
	28-Jun-24	AA+	A1+	Stable	Reaffirmed
	23-Jun-23	AA+	A1+	Stable	Reaffirmed
	28-Jun-22	AA+	A1+	Stable	Reaffirmed
	11-Jun-21	AA+	A1+	Stable	Reaffirmed
	10-Jun-20	AA+	A1+	Stable	Reaffirmed
	31-May-19	AA+	A1+	Stable	Reaffirmed
	12-Jun-18	AA+	A1+	Stable	Reaffirmed
	19-Jun-17	AA+	A1+	Stable	Reaffirmed
	17-Jun-16	AA+	A1+	Stable	Reaffirmed
	09-Jun-15	AA+	A1+	Stable	Reaffirmed
	12-Dec-14	AA+	A1+	Stable	Upgrade
	02-July-14	AA	A1+	Positive	Reaffirmed
	29-Jun-13	AA	A1+	Positive	Maintained
	29-Jun-12	AA	A1+	Stable	Downgrade
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.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Usman Manzoor		CFO		May 20, 2025
	Muhammad Shuja Ali		Head Investment Banking		
	Zuhair Ismail		Regional Business Head		
	Umair Hashin		Head CAD		