

RATING REPORT

Shirazi Investments (Private) Limited

REPORT DATE:

January 13, 2025

RATING ANALYST:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA	A1+	AA	A1+
Rating Outlook	Stable		Stable	
Rating Action	Reaffirm		Upgrade	
Rating Date	January 13, 2025		January 24, 2024	

COMPANY INFORMATION

Incorporated in 1962	External auditors: ShineWing Hameed Chaudhri & Co.-Chartered Accountants
Private Limited Company	Chairman: Mr. Iftikhar H. Shirazi
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Noorullah R. Hassan
<i>Iftikhar Shirazi Family Trust ~25%</i>	
<i>Aamir H. Shirazi ~25%</i>	
<i>Saquib H. Shirazi ~25%</i>	
<i>Ali H. Shirazi ~25%</i>	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria:

Industrial Corporates

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

VIS Rating Scale

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

Shirazi Investments (Private) Limited

OVERVIEW OF THE INSTITUTION

RATING RATIONALE

SIL was incorporated in August, 1962 as a private limited company with principal business activity to hold and manage investments in other group companies. The Company has a registered office in Karachi along with three regional offices located in Lahore and Islamabad.

Profile of Chairman

Mr. Iftikhar H. Shirazi graduated with a Bachelor of Science in Finance from Notre Dame De Namur University, and completed his OPM from Harvard Business School, USA. He has over 37 years of corporate management experience, more particularly in the financial and trading sectors. Previously, he was associated with Bank of Tokyo-Mitsubishi, Yamaichi Securities and Toyota Tsusho Corporation.

Profile of CEO

Mr. Noorullah has over 31 years of management experience and has been associated with Atlas Group since

Corporate Profile

Shirazi Investments (Private) Limited (‘SIL’ or the ‘Company’) was incorporated on August, 1962 as a private limited company. It is the holding company of the group companies collectively referred as ‘The Atlas Group’ which stands as one of the top ten business groups in Pakistan with a long-established history of over six decades. As at end-FY24 investment in group companies make up 78.6% of Company’s total asset base (Jun’23: 76%, Jun’22: 80%), however, SIL also has a diversified investment portfolio in non-group companies. Majorly the Company has exposure in various sectors including automotive, power generation, trading and financial services. The shareholding of the Company is vested amongst members of the Shirazi Family. Its Head office is located in Karachi, while regional offices are in Lahore and Islamabad.

Key Rating Drivers

Major portion of asset base is represented by investment portfolio in group and non-group companies

Long-term Investments	2023	%	2024	%
Investment in subsidiaries – at cost				
Atlas Engineering (Pvt) Ltd.	388	1.3%	388	1.0%
Atlas Energy Ltd	73	0.2%	73	0.2%
Atlas Power Ltd	5,671	19.0%	5,671	15.2%
Atlas Assets Management Ltd	226	0.8%	226	0.6%
Shirazi Trading Company (Pvt) Ltd.	575	1.9%	575	1.5%
Atlas Venture Ltd	10	0.0%	10	0.0%
Atlas Autos (Pvt) Ltd	1,000	3.4%	1,000	2.7%
Atlas Solar Ltd.	390	1.3%	390	1.0%
Atlas Metals (Pvt) Ltd.	574	1.9%	63	0.2%
Listed Shares				
Atlas Honda Ltd.	11,937	40.1%	11,937	32.0%
Atlas Battery Ltd.	2,962	9.9%	2,962	7.9%
Atlas Insurance Ltd.	1,830	6.1%	1,830	4.9%
Sub Total	25,635	86.1%	25,124	67.3%
Investment in associates				
Listed shares - at fair value				
Honda Atlas Cars (Pakistan) Ltd.	3,983	13.4%	12,221	32.7%
Sub Total	3,983	13.4%	12,221	32.7%
Unlisted shares - at cost				
Honda Atlas Power Products (Pvt) Ltd	9	0.03%	9	0.02%

1992. He holds Bachelor of Commerce degree from University of Karachi and certifications ICMA and CIMA. He has also completed the Program for Management Development (PMD) from Harvard Business School.

Integration Xperts (Pvt) Ltd.	161	0.5%	-	
Sub Total	170	0.6%	9	0.0%
TOTAL	29,788	100%	37,354	100%

As of Jun'24, the Company's total investment portfolio, including long-term and short-term investments, stands at PKR 58.3 billion, constituting 96% of the total asset base (Jun'23: 92%, Jun'22: 93%). SIL's long term investment portfolio represents 61% of total asset base compared to 66% in Jun'23. This portfolio includes of 15 companies with 9 unlisted subsidiaries, 3 listed subsidiaries, 1 listed associate company and 2 unlisted entities.

As at end-FY24, the long-term portfolio was largely (~80%) accounted by 3 major investments in Honda Atlas Cars (32.7%), Atlas Honda Limited (32.0%) and Atlas Power (15.2%).

The total value of long-term investments increased by 25.4% YoY in FY24, from PKR 29.7 Bn to PKR 37.3 Bn, driven by unrealized gain of PKR 8.24 Bn in fair value of Honda Atlas Cars Pakistan Limited. During the year, Company also sold off its strategic investment in Integration Xperts (Private) Limited to Atlas Private Equity Fund for PKR 247 Mn, resulting in a gain of PKR 85.6 Mn.

Short term Investments	2023	%	2024	%
Investment in Listed shares - at fair value				
Cherat Cement Company Ltd	1,761	14.6%	2,388	11.4%
Engro Fertilizer Ltd.	372	3.1%	782	3.7%
Fauji Fertilizer Ltd.	307	2.6%	535	2.6%
Bank al Habib Ltd	-	0.0%	25	0.1%
Habib Metropolitan Bank Ltd.	168	1.4%	404	1.9%
Meezan Bank Ltd.	526	4.4%	1,421	6.8%
Pakistan Cables Ltd.	173	1.4%	324	1.5%
Pakistan Oilfields Ltd.	264	2.2%	341	1.6%
Systems Limited	3,069	25.5%	3,183	15.2%
United Bank Limited	493	4.1%	978	4.7%
Sub-total	7,133	59.3%	10,381	49.5%
Investment in mutual funds - at fair value				
Associates				
Atlas Aggressive Allocation Islamic Plan	109	0.9%	177	0.8%
Atlas Moderate Allocation Islamic Plan	113	0.9%	168	0.8%
Atlas Conservative Allocation Islamic Plan	113	0.9%	153	0.7%
Atlas Islamic Capital Preservation Plan II	212	1.8%	-	0.0%
Atlas Sovereign Fund	-	0.0%	1,494	7.1%
Atlas Islamic Stock Fund	939	7.8%	1,734	8.3%
Atlas Stock Market Fund	2,037	16.9%	3,907	18.6%
Atlas Private Equity Fund	-	0.0%	279	1.3%

Sub-total	3,523	29.3%	7,913	37.8%
Other related parties				
Atlas Islamic Money Market Fund	-	0.0%	277	1.3%
Atlas Money Market Fund	1,367	11.4%	2,182	10.4%
Atlas Income Fund	-	0.0%	204	1.0%
Sub-total	1,367	11.4%	2,663	12.7%
TOTAL	12,023	100%	20,957	100%

Company is engaged in the trading and investment of listed equities and mutual funds, on the back of which SIL's short term investment portfolio as at end-FY24 stood at PKR 20.9 Bn, representing a 74.3% YoY increase. Approximately 50% of the short-term portfolio is invested in blue chip equities, meanwhile rest includes associates and other related party mutual funds.

As of FY24, the ST equity investment to Tier-1 Equity reflects an exposure of 30% (FY23: 21%). This increase is mainly attributed to mark-to-market valuation adjustments. While the Company's Investment Policy Statement does not specify a defined threshold for equity exposure, according to the management, short-term equity investments are regularly assessed by investment committee to ensure alignment with market conditions.

Notable increase in profitability due to higher unrealized gain on revaluation of investments and higher dividends

The Company has been booking unrealized losses on investments over the past two years. However, this scenario changed during the year under review, as the stock market delivered strong returns. SIL recorded an unrealized gain of PKR 2.28 Bn on the revaluation of investments, a notable improvement compared to the unrealized loss of PKR 105 Mn in FY23.

While the Company also generates rental and service income from its real estate properties, dividends – which remain the Company's main source of income – saw a YoY increase of 20%, reaching PKR 6.3 Bn in FY24 (FY23: PKR 5.2 Bn).

Dividend Income	FY23	%	FY24	%
Subsidiary Companies:				
Atlas Honda Ltd.	1,562	29.6%	3,058	48.4%
Atlas Battery Ltd.	670	12.7%	206	3.3%
Atlas Insurance Ltd.	605	11.5%	338	5.3%
Atlas Asset Management Ltd.	113	2.1%	100	1.6%
Atlas Autos (Pvt) Ltd.	1,200	22.7%	500	7.9%
Atlas Engineering (Pvt) Ltd	36	0.7%	-	0.0%
Atlas Venture Ltd	26	0.5%	44	0.7%
Atlas Power Ltd.	437	8.3%	-	0.0%
Shirazi Trading Company (Pvt) Ltd	141	2.7%	75	1.2%

Atlas Metals (Pvt) Ltd.	25	0.5%	-	0.0%
Sub-total	4,814	91%	4,321	68%
Associated Companies/ Mutual funds:				
Honda Atlas Cars (Pakistan) Ltd	-	0.0%	280	4.4%
Atlas Aggressive Allocation Islamic Plan	2	0.0%	17	0.3%
Atlas Conservative Allocation Islamic Plan	12	0.2%	20	0.3%
Atlas Moderate Allocation Islamic Plan	6	0.1%	19	0.3%
Atlas Stock Market Fund	-	0.0%	338	5.3%
Atlas Islamic Stock Market Fund	-	0.0%	147	2.3%
Atlas Sovereign Fund - a related party	-	0.0%	109	1.7%
Atlas Islamic Capital Preservation Plan - II	18	0.3%	-	0.0%
Sub-total	39	0.7%	930	15%
Other Listed Companies	400	7.6%	743	11.8%
Mutual Funds - related parties	27	0.5%	325	5.1%
Total	5,279	100%	6,319	100%

The Company's dividend income for FY24 reflects concentration risk, with nearly 50% of the dividend income coming from Atlas Honda Limited. Meanwhile, FY23 dividend breakdown shows relatively more diversified dividend streams, with Atlas Honda Limited (29.6%), Atlas Autos (Pvt) Ltd (22.7%), Atlas Battery Ltd (12.7%), and Atlas Insurance Ltd (11.5%) being the main contributors. During the year, the majority of the dividend income was generated from the Company's long-term investments, accounting for nearly 73% (FY23: 91%), while short-term investments derived 27% (FY23: 9%) of the Company's dividend income.

In FY24, service income was recorded at PKR 209.9 Mn, reflecting a 38% YoY increase, while rental income rose to PKR 177.4 Mn, a 36% YoY increase. However, SIL is in process of transferring its rental properties to Atlas REIT, therefore, it does not expect to generate any rental income from 2026 onwards.

Rental Income	FY21	FY22	FY23	FY24
Warehouse building-on freehold land	50.3	-	-	-
Warehouse building-on leasehold land	68.7	91.5	99.9	141.2
Building - leasehold	27.3	28.7	30.1	36.3
Total Rentals	146.4	120.2	130.0	177.4

In contrast to rising income, Company reported a slight decline of 8% in administrative expenses due to decrease in number of employees (FY24: 84, FY23: 90) and an 11% drop in provision for impairment, further supporting profitability. Moreover, as a result of decreasing debt (92% YoY), finance cost recorded low at PKR 10.1 Mn down by 94% from PKR 160.9 Mn in FY23. Finance cost relates to lease liabilities only and no mark-up was paid or accrued on bank borrowings during the year.

Strong Capitalization Profile

The Company's tier-1 equity reached PKR 53.9 Bn as of Jun'24, an increase from PKR 49.2 Bn, driven by unappropriated profits. Despite a higher PAT, the Company's payout ratio decreased to 29.5% in FY24 (FY23: 46.5%). SIL continues to maintain a conservative financing strategy, with zero borrowings as at end-FY24, resulting in total interest-bearing debt of only PKR 50.6 Mn, entirely consisting of lease liabilities. As a result, the short-term running finance facility of PKR 5.7 Bn remained unused, as was the case in FY23. However, it is important to note that SIL has provided a cross-corporate guarantee in favor of related parties to a foreign commercial bank, amounting to PKR 4.96 Bn as of FY24 (FY23: PKR 5.25 Bn). Despite this, the Company's liquidity profile remains strong, with liquid assets standing at PKR 20.98 Bn (FY23: PKR 12.04 Bn). Therefore, liquid assets to total liabilities improved significantly to 17.9x, up from 10.8x in FY23.

Shirazi Investments (Private) Limited
Appendix I

FINANCIAL SUMMARY					
<i>(amounts in PKR millions)</i>					
<u>BALANCE SHEET</u>	FY20	FY21	FY22	FY23	FY24
Long Term Investments	32,676	40,010	34,166	29,788	37,354
Investment Property	2,564	2,195	2,150	2,263	2,205
Short Term Investments	8,279	11,780	11,234	12,023	20,957
Bank Balances	2	4	2	23	28
Prepayments & Other Receivables	718	376	262	109	74
Total Assets	45,345	55,064	48,737	45,255	61,004
Trade and Other Payables	62	124	33	19	10
Long Term Loan <i>(including current portion)</i>	368	353	258	174	51
Short Term Borrowings	2,601	1,235	1,868	-	-
Total Interest-Bearing Debt	2,969	1,588	2,127	174	51
Total Liabilities	3,707	2,357	2,285	1,112	1,172
Paid -up Capital	2,201	2,201	2,201	2,201	2,201
Share premium	26,840	26,840	26,840	26,840	26,840
Amalgamation reserve	1,223	1,223	1,223	1,223	1,223
Unappropriated profit	14,571	17,048	18,094	18,983	23,648
Unrealized gain/(loss) on revaluation	(3,197)	5,396	(1,905)	(5,104)	5,921
Total Equity	41,637	52,707	46,452	44,143	59,832
Total Equity (less amalgamation reserve)	40,415	51,485	45,230	42,920	58,610
Tier-1 Equity (less revaluation gain/loss)	44,835	47,312	48,357	49,246	53,911
<u>INCOME STATEMENT</u>					
Dividend Income	2,037	2,923	4,205	5,279	6,319
Unrealized gain/ (loss) on revaluation of investment	142	790	(523)	(105)	2,288
Rental Income	272	146	120	130	177
Administrative Expenses	(684)	(679)	(810)	(1,189)	(1,094)
Finance Cost	(354)	(188)	(167)	(161)	(10)
Profit / (Loss) Before Tax	2,068	3,962	2,869	4,143	8,230
Taxation	(292)	(536)	(513)	(1,111)	(1,738)
Profit / (Loss) After Tax	1,776	3,426	2,357	3,032	6,493
<u>RATIO ANALYSIS</u>					
Gearing (x)	0.07	0.03	0.04	0.004	0.001
Debt Leverage (x)	0.08	0.05	0.05	0.02	0.02
FFO	560	2,763	2,577	3,136	829
Current Ratio (x)	3	8	6	23	159
Liquid Asset to Total liabilities (x)	2.2	5.0	4.9	10.8	17.9

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Shirazi Investments (Private) Limited				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	01/13/2025	AA	A1+	Stable	Reaffirmed
	01/24/2024	AA	A1+	Stable	Upgrade
	03/02/2023	AA	A-1	Stable	Reaffirmed
11/01/2022	AA	A-1	Stable	Initial	
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 Meeting Conducted	Name	Designation	Date		
	Mr. Noorullah R. Hassan	CEO	December 19, 2024		
	Mr. Arsalan Fayyaz	Manager Finance			