

RATING REPORT

MAPLE LEAF CAPITAL LIMITED

REPORT DATE:

February 04, 2025

RATING ANALYST:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A1	A-	A1
Outlook/Rating Watch	Stable		Stable	
Rating Action	Upgrade		Initial	
Rating Date	February 04, 2025		December 21, 2023	

COMPANY INFORMATION

Incorporated in 2014	External Auditors: Riaz Ahmad & Company, Chartered Accountants
Private Limited Company	Chairman of the Board: Mr. Taufique Sayeed Saigol
Key Shareholding	Chief Executive Officer: Mr. Waleed Tariq Saigol
<i>Kobinoor Textile Mills Limited – 82.919%</i>	
<i>Mr. Taufique Sayeed Saigol – 8.375%</i>	
<i>Mr. Tariq Sayeed Saigol – 5.025%</i>	

APPLICABLE METHODOLOGY(IES)
Applicable Rating Criteria: Corporates
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>
VIS Rating Scale:
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

MAPLE LEAF CAPITAL LIMITED

OVERVIEW OF THE INSTITUTION

Maple Leaf Capital Limited was incorporated on April 25, 2014 under the Repealed Companies Ordinance, 1984 (now Companies Act, 2017). Its registered office or head office is situated at 42 Lawrence Road, Lahore.

Profile of Chairman:

Mr. Tanfeeq Sayeed Saigol is the Chief Executive of Kohinoor Textile Mills Limited and Director in all KMLG companies. He is a leading and experienced industrialist of Pakistan. He graduated as an Industrial Engineer from Cornell University, USA in 1974.

Profile of CEO

Mr. Waleed Tariq Saigol was schooled at Aitchison College, Harrow School and holds a bachelor's degree from the London School of Economics & Political Science. He has a rich experience of Textile & Cement Sectors. He serves on the Boards of KTML, MLCFL, MLPL and Maple Leaf Industries Limited.

RATING RATIONALE

Maple Leaf Capital Limited ('MLCL' or 'the Company') is a public limited company incorporated on April 25, 2014 and operates as a subsidiary of Kohinoor Textile Mills Limited (KTML) which holds an 82.919% equity stake in the Company. MLCL is part of the Kohinoor Maple Leaf Group, one of the top industrial conglomerates with a presence in various sectors such as cement, textiles, power, and capital markets. The Company's primary focus is to manage the Group's capital by investing and trading in financial instruments and commodities.

Key Rating Drivers

Company's Profile: MLCL's shares are held by KTML and members of the sponsoring group, who play an active role in its operations. The Board of Directors (BoD) comprises seven members, including the Chairman and CEO, with the other members serving as non-executive directors. To ensure effective oversight of the company's activities, the Board has established three key committees: the Investment Committee (IC), the Management Committee (MC), and the Accounts and Audit Committee (A&AC). The senior management includes seasoned professionals with extensive experience in business, risk management, financial planning, and equity investment. The Company's total staff strength stands at 14 employees as of 30th June, 2024.

Table 1: Board Composition

Board of Directors	
Taufique Sayeed Saigol	Chairman
Waleed Tariq Saigol	CEO
Sayeed Tariq Saigol	Non-Executive Director
Syed Mohsin Naqvi	Non-Executive Director
Arif Ijaz	Non-Executive Director
Daniyal Saigol	Non-Executive Director
Jahanara Saigol	Non-Executive Director

Investment Policy: The Company has a comprehensive and well-established Investment Policy Statement (IPS) that serves as a framework for guiding the management of its funds and operations. The Investment Committee (IC) is entrusted with overseeing all investment activities and decision-making processes. The Board of Directors (BoD) relies on the IC for supervision of the Management Committee (MC) and retains ultimate responsibility for ensuring the effective implementation of the IPS.

The primary investment objective as defined in IPS is for MLCL to derive income derived through capital gains, dividends, and interest income by investing in listed companies at the Pakistan Stock Exchange, secured debt instruments, commodities, real estate and startup businesses. The benchmark return for this is average 1-year Kibor rate. While income is primary focus, assessment and management of risk is also a crucial objective within IPS

Investment Mix: The Company's investment portfolio consists of both long-term and short-term investments, with the long-term investments representing only 2.3% of the total asset base. The long-term investment amounted to Rs. 371m (FY23: Rs. 351m; FY22: Rs. 323m) as of Jun 30, 2024. These included equity investments in various startup companies, with a major focus on e-commerce and technology solutions.

Meanwhile, the short-term investment portfolio makes up 94.7% of Company's total asset base as of end-FY24 (FY23: 89%, FY22: 87.5%) consisting of investments in listed equities, which reflects low asset class diversification in portfolio, although the IPS provides for several other investment avenues. According to the management, higher portion of investment has been maintained in listed equities due to the strong returns of stock market during the period. MLCL generally acquires equity shares with a typical investment horizon ranging from one to three years. The Company does not maintain a trading portfolio.

Related party exposure in listed equities reduced further during FY24, to 2.8% (FY23: 11.4%, FY22: 31.8%) with disposal of investment in TRG Pakistan Limited which previously was classified as an associated company of MLCL under common directorship. Other short-term investment in related party pertains to MLCFL, in which the Company's stake has remained unchanged at 1.15%.

Besides the related party short-term investments, the portfolio largely includes public listed stocks, which stood at PKR 15.0b (FY23: Rs. 5.5b, FY22: Rs. 3.0b). Market risk of the portfolio remains on the higher side as at end FY24 as Short-term investment to Tier-1 Equity clocking in at 149% (FY23: 141%, FY22: 115%) Sector-wise exposure was skewed towards Construction and Materials (FY24: 30% FY23: 43.2%), Oil & Gas (FY24:15%, FY23: 19.4%), Engineering (FY24: 19%, FY23: 0.8%), Fertilizer (FY24 13.7%, FY23: 1.5%) and Commercial Banks (FY24: 12%. FY23: 11.2%).

The Company also engages in trading share futures contracts. As of the end of FY24, the outstanding commitments related to share futures contracts amounted to PKR 1.75 Bn (FY23: PKR 779.4 Mn; FY22: PKR 491.1 Mn) which is 11.3% of company's short-term investments (FY23: 12.5%, FY22: 11.2%)

Profitability: In FY24, the Company reported a substantial 934% YoY increase in net profit recording at PKR 5,971.8 Mn compared to PKR 577.3 Mn in FY23, due to higher unrealized gain on revaluation of investments that rose from PKR 393.9 Mn to PKR 7,450 Mn. In FY24, MLCL's profitability metrics showed robust performance with return on portfolio significantly outperforming the 1 year-average KIBOR rate (1-year average KIBOR: 21.7%, Investment return: 84.4%). Meanwhile, in comparison, FY23 saw the investment return slightly exceed the benchmark rate (1-year average KIBOR: 18.03%, Investment return: 21.8%). This performance is mainly attributable to the Pakistan Stock Exchange (PSX) experiencing a significant rise in FY24, with the benchmark KSE-100 index closing at 78,444 points, up from 41,452 points in FY23.

Operating and administrative expenses saw an 88% YoY increase, driven by higher salaries, brokerage commissions, and travel & conveyance costs. Meanwhile, finance costs surged by 213% in FY24, primarily due to an ~80% rise in short-term borrowings, while the efficiency ratio for the year increased to 67.5% up from 59.2% in FY23 reflecting weakening operational performance.

Liquidity and Capitalization Profile: MLCL has a strong liquidity position, largely underpinned by its investments in publicly traded stocks. The liquid assets to total liabilities stand at 2.62x (FY23: 2.49x) as of Jun 30, 2024. Equity base increased significantly by 1.4x reaching PKR 10.4 Bn (FY23: PKR 4.4 Bn) due to substantial improvement in reserves, meanwhile the debt profile of the Company entirely comprises of short-term borrowings, acquired to finance the purchase of short-term investments.

Overall, the Company has a healthy capitalization profile, with Leverage ratio maintained around 0.57x (FY23: 0.59x) by the end-FY24, meanwhile gearing ratio clocked in at 0.36x down from 0.48x in FY23, on the back of increased equity base despite higher short-term borrowings. As of end-FY24, about 24% of the Company's short-term investments are funded through short-term borrowings, although this is an improvement from 34% in FY23.

REGULATORY DISCLOSURES		Appendix I			
Name of Rated Entity	Maple Leaf Capital Limited				
Sector	Miscellaneous				
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				
	04-02-2025	A	A1	Stable	Upgrade
	21-12-2023	A-	A1	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.				
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 Meeting Conducted	Name	Designation		Date	
	Mr. Farrukh Zia Awan	Head Finance		07-January-2025	
	Mr. Malik Imran	Senior Manager Accounts & Finance			