

OLP FINANCIAL SERVICES PAKISTAN LIMITED

Analyst:

Musaddeq Ahmed Khan
(musaddeq@vis.com.pk)

RATING DETAILS

RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	AAA	A1+
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	September 11, 2025	

Shareholding (5% or More)**Other Information**

ORIX Corporation – 49.58%	Incorporated in 1986
State Life Insurance Corporation of Pakistan – 10.00%	Public Limited Company (Listed)
Atiqah Begum – 6.46%	Chief Executive: Mr. Shaheen Amin
	External Auditor: KPMG Taseer Hadi & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Non-Bank Financial Companies

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

Scale Translation

<https://docs.vis.com.pk/Methodologies-2025/Scale-translation-Jan-2025.pdf>

Rating Scale

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

Rating Rationale

OLP Financial Services Pakistan Limited's ratings are anchored by the strength of its strategic sponsor, which holds an equity stake, has significant board representation, and currently carries a 'AA' issuer rating from The Japan Credit Rating Agency (JCR). This underscores its strong financial profile and support capacity. The sponsor's global presence, financial depth, and governance oversight provide the Company with a distinct competitive edge, supporting credibility, risk discipline, and long-term business stability. Leveraging this backing, OLPFSL has built a leading position in Pakistan's leasing sector, particularly in SME and vehicle financing, supported by prudent credit policies, repeat clientele, and sectoral diversification that mitigate concentration risks.

Asset quality indicators remain sound, with negligible levels of non-performing exposures and a well-diversified portfolio across sectors, which reduces concentration risk. The Company maintains well-diversified funding sources, including bank borrowings, Certificates of Deposit (CODs), and Privately Placed Term Finance Certificates (PPTFCs). Liquidity has improved, supported by a healthy current ratio and stronger coverage of liabilities through high liquid assets.

Governance remains a key strength, with sponsor oversight, a well-represented board, and seasoned management ensuring operational resilience. Looking ahead, the key challenge will be to sustain profitability amid a declining interest rate environment, which may exert downward pressure on portfolio yields and growth.

Company Profile

OLP Financial Services Pakistan Limited ('OLPFSL' or the 'Company') was incorporated in July 1986 as a joint venture between ORIX Corporation, Japan, and local investors. The Company is listed on the Pakistan Stock Exchange (PSX) and maintains its head office in Karachi, with a nationwide presence through 33 branches across 31 cities.

Leveraging nearly four decades of operational experience, OLPFSL delivers a comprehensive range of financial products and services to a diverse customer base. The Company places strategic emphasis on the Small and Medium Enterprises (SME) sector, facilitating business expansion and contributing to employment generation and economic growth in Pakistan.

Subsidiaries & Associates

- **OLP Services Pakistan (Private) Limited** – Functions as a Modaraba Company, primarily engaged in the floatation and management of Modarabas in accordance with the Modaraba Ordinance.
- **OLP Modaraba** – A Shariah-compliant financial institution listed on the PSX, offering financing solutions for machinery, equipment, vehicles, and housing.
- **Yanal Finance Company (Saudi Arabia)** – Provides medium-term asset financing with a focus on SMEs, operating through multiple branches across the Kingdom.
- **SAMA Finance SAE (Egypt)** – A joint venture leasing company catering to SME financing, supported by technical expertise

Sponsor Profile

OLPFSL is majority-owned by ORIX Corporation, Japan, holding around 49.6% shares, with significant stakes held by State Life Insurance Corporation (10.0%), while the remaining shareholding is distributed among institutions, insiders, and the general public.

ORIX Corporation, established in 1964, is an integrated financial services group headquartered in Tokyo, Japan. It is listed on both the Tokyo Stock Exchange and the New York Stock Exchange. As of March 31, 2025, the Group reported total assets of ¥16,866 billion (US\$112 billion) and equity of ¥4,172 billion (US\$27 billion).

With operations in 28 countries and regions, ORIX offers a diversified range of services to corporate and retail customers. Its activities include corporate financial services such as leases and loans, automobile operations, rental operations, real estate-related finance and development, life insurance, and investment banking. The Group has also expanded its scope by incorporating specialized capabilities in various financial transactions and tangible asset management, supplementing its core leasing expertise. The sponsor currently holds a 'AA' issuer rating from The Japan Credit Rating Agency (JCR), underscoring its strong financial profile and support capacity.

Management and Governance

OLPFSL has established a comprehensive risk management framework that facilitates the identification, monitoring, and mitigation of risks across its operations. The framework is supported by Board-level oversight through the Board Audit & Risk Committee (BA&RC), chaired by an independent director, and further reinforced by management committees, departmental supervision, and strong internal controls. The Enterprise Risk Management (ERM) framework, applied consistently across all functions, allows the Board of Directors (BoD) to review risk exposures comprehensively and ensure alignment with strategic objectives.

OLPFSL operates under a strong governance framework that emphasizes transparency, accountability, and regulatory compliance. The BoD comprises five non-executive directors, two independent directors, and the Chief Executive Officer, supported by specialized sub-committees including the ARC, Human Resource, Nomination and Remuneration Committee (HRNRC), Credit Committee (CC), and Compensation Committee.

The Company's governance is strengthened by its sponsor, ORIX Corporation, Japan, which plays an active role in decision-making and operational oversight through its nominated non-executive directors—Mr. Yoshiaki Matsuoka, Ms. Keiko Watanabe, Mr. Kazuhito Inoue, and Mr. Ramon Alfrey. These representatives participate actively in key committees and ensure alignment of OLPFSL's strategy with group-level objectives.

Strategic priorities such as maintaining return on equity, improving cost-to-income ratios, and diversifying funding sources are cascaded from the parent company and integrated into local business planning. Regular reporting to ORIX on operational, financial, and portfolio developments, alongside periodic strategic reviews, ensures effective oversight and strengthens OLPFSL's governance and credit profile.

CHAIRMAN/CEO PROFILE

Mr. Khalid Aziz Mirza serves as the Chairman of the Board of Directors (BoD). He has nearly five decades of professional experience spanning investment banking, development finance, regulatory leadership, and academia. He began his career in 1966 with the Asmirali Fancy Group before moving into investment banking in Pakistan and the United Kingdom from 1968 to 1983, where he worked in project finance, mergers and acquisitions, securities issuance and trading, and portfolio management. In 1983, he joined the International Finance Corporation (IFC) as an Investment Officer and later served as Chief of Mission in Turkey (1994–1996) and Chief of Regional Mission in Thailand (1998–2000). From 2000 to 2003, he was Chairman of the Securities and Exchange Commission of Pakistan (SECP), implementing capital market and corporate sector reforms. He subsequently managed World Bank programs for financial and private sector development in the East Asia and Pacific Region (2003–2006) and served as Chairman of the Monopoly Control Authority (2006–2007), advising on its transformation into a competition agency.

From 2007 to 2010, Mr. Mirza was the first Chairman of the Competition Commission of Pakistan, overseeing the introduction of the new competition law and capacity-building measures. Since 2010, he has been associated with the Lahore University of Management Sciences (LUMS), teaching business and economics and becoming a full professor in 2014. His career reflects experience in both domestic and international institutions, with roles involving regulatory reform, institutional strengthening, and development finance.

Mr. Shaheen Amin serves as the CEO of OLPFSL. He joined the Company in December 1986 and held a range of positions before being appointed Deputy Managing Director in January 1992. He was subsequently appointed the founding General Manager of Oman ORIX Leasing Company SAOG and, in 2000, became the founding General Manager of Yanal Finance Company (formerly Saudi ORIX Leasing Company), where he was responsible for establishing and managing the operations of these overseas ventures.

Mr. Amin holds an MBA from the Booth School of Business, University of Chicago, and an Executive Master's in Risk Management from the Stern School of Business, New York University. His career with the Company and its international affiliates spans senior leadership roles involving operational management, business development, and strategic oversight.

RISK MANAGEMENT

Credit risk management is central to the Company's operations. Policies approved by the Board set clear parameters for credit origination, sectoral concentration limits, and portfolio monitoring. The Risk Management Department (RMD) ensures compliance with these policies and reports directly to the Board's Credit Committee. Exposures that exceed defined thresholds are escalated to the Committee for approval, ensuring prudent oversight. Scorecard-based evaluations at origination and review stages enable early detection of credit weaknesses.

Risk mitigation is further strengthened through strict collateral requirements, extensive client monitoring, and the Company's ability to repossess leased assets in case of default, given its ownership rights. The Company also benefits from its institutional experience, which has fostered brand loyalty and long-term relationships with clients. A significant portion of the portfolio comprises repeat clients with established repayment records, reducing overall credit risk. These practices have enabled OLPFSL to maintain a well-diversified portfolio, low levels of non-performing loans, and resilience against adverse economic conditions, reinforcing the Company's financial stability and risk culture.

ESG-SUSTAINABILITY

The Company is committed to embedding Environmental, Social, and Governance (ESG) considerations into its corporate framework through a formal ESG policy that guides responsible practices across operations. The BA&RC has been assigned expanded Terms of Reference to strengthen oversight of sustainability matters. ESG factors are incorporated into investment and financing decisions, with corrective action plans developed to address identified risks. The Company has initiated financing for solar projects for its lessees and is working to formalize this into a dedicated product, while also evaluating further green financing opportunities. In addition, OLPFSL assesses the impact of climate-related risks and opportunities on its business, strategy, and financial planning over the short and long term, and meets a portion of its energy needs through renewable sources.

The Company emphasizes human capital development, leadership training, and succession planning while fostering an inclusive workplace culture through recognition programs and employee engagement initiatives. A strong focus on diversity, equity, and inclusion (DEI) is reflected in ongoing policy development and efforts to narrow gender pay gaps. OLP also upholds strict anti-harassment and equal opportunity policies, ensuring a safe and supportive work environment. On the social front, the Company actively supports healthcare and education for underprivileged communities through contributions to hospitals, academic institutions, and welfare organizations, reinforcing its role as a responsible corporate citizen.

Business Risk

INDUSTRY UPDATE

The NBFC sector expanded strongly in FY25, with assets rising 36% to PKR 5.40 trillion by March 2025. Growth was broad-based, led by mutual funds (over two-thirds of sector assets), followed by modarabas and investment finance companies, while leasing and housing finance

remained marginal. Despite a 100-bps policy rate cut to 11% in May 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 March 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.

PROFITABILITY

OLPFSL reported strong profitability in FY24, with income rising to PKR 8.0bn (3-year CAGR: 29.4%) on the back of KIBOR-linked repricing, despite lower portfolio volumes. Lease and loan income grew to PKR 6.9bn, while other income strengthened to PKR 1.1bn. Though funding costs increased, disciplined expense management kept efficiency stable at 40.0%, enabling profit after tax to reach PKR 1.4bn. Profitability ratios improved, with ROAA at 4.4% and ROAE at 13.7%.

In 9MFY25, earnings moderated as lower policy rates reduced lease and loan income to PKR 4.6bn. Stable spreads and provision reversals supported margins, but higher recurring expenses lifted the cost-to-income ratio to 43.3%. Bottom-line stood at PKR 1.0bn, with ROAA and ROAE easing to 4.0% and 12.5%. Going forward, profitability will rely more on portfolio growth and cost control than rate-driven gains, with asset quality remaining central to sustaining performance.

Financial Risk

CAPITALIZATION

OLPFSL's capitalization reflects a balance between equity accretion and debt-funded growth, with gearing and leverage ratios showing cyclical movement in line with portfolio expansion and financing requirements. As of Jun'23, gearing and leverage stood at 1.47x and 2.26x, respectively. By Jun'24, these metrics improved to 1.26x and 2.05x, driven by profit retention, scheduled repayments of long-term debt, and a relatively contained increase in short-term borrowings. The reduction in leverage ratios during this period highlighted stronger internal capital generation and a more conservative funding profile, supporting balance sheet resilience.

However, by Mar'25, capitalization metrics reversed course as the Company raised PKR 7.8bn in new long-term financing against PKR 3.5bn repayments, to support renewed growth momentum. This resulted in a net debt increase of PKR 4.3bn, pushing long-term debt (including current maturities) to PKR 15.8bn. With equity growth constrained at PKR 11.0bn—owing to a PKR 0.5bn dividend payout—gearing rose to 1.60x and leverage to 2.15x, though both levels remain within an acceptable range relative to sector norms and the Company's earnings capacity.

Going forward, capitalization will hinge on maintaining a disciplined balance between portfolio growth and debt build-up. Management's target of ~23% financing book growth, coupled with a partially secured funding pipeline and anticipated margin improvement, is expected to increase earnings and support equity accretion. Nonetheless, sustained reliance on borrowings to fund growth could pressure gearing ratios if profit retention is insufficient. From a ratings standpoint, OLPFSL's strengths lie in its capacity to generate internal capital, prudent repayment track record, and diversified funding sources, while challenges include managing rising leverage in a lower interest rate environment and ensuring that equity growth keeps pace with portfolio expansion.

ASSET QUALITY

OLPFSL's asset quality has remained broadly resilient, though infection ratios have shown some upward drift amid cautious portfolio growth. As of Jun'24, the Gross Loan Portfolio (GLP) stood at PKR 25.5bn, broadly stable compared to PKR 25.7bn a year earlier, reflecting a deliberate strategy of measured disbursements (PKR 14.6bn vs. PKR 14.3bn in FY23) coupled with heightened focus on recoveries and close monitoring of overdue accounts. This approach reflects management's prudent stance in an uncertain macroeconomic environment.

The finance lease portfolio reported a Gross Infection (GI) ratio of 4.8% (FY23: 4.4%), mainly due to a proportionately greater decline in portfolio size relative to NPLs. However, risk remained well-contained, as the Net Infection (NI) ratio was sustained at -1.5%, evidencing full coverage of impaired accounts. The finances and loans portfolio, which represents the bulk of OLP's exposures, continued to exhibit stronger performance, with GI and NI ratios of 1.2% and 0.2%, respectively, both marginally higher than FY23 but still at low levels. Specific coverage stood at 83.5%, slightly down from 85.6%, while general provisioning remained steady at 0.4%, indicating continued prudence in risk buffers.

By Mar'25, GLP expanded to PKR 28.3bn, reflecting a return to growth momentum. Alongside this, infection levels increased modestly across both portfolios: the finance lease book reported GI and NI ratios of 5.6% and 0.4%, while finances and loans recorded 2.0% and 0.7%, respectively. Management has indicated a focus on sustaining asset quality and pursuing measured growth, both of which will remain important from the ratings perspective.

LIQUIDITY

OLPFSL's liquidity profile is underpinned by a diversified funding mix across bank borrowings, Certificates of Deposit (CODs), and a Privately Placed Term Finance Certificate (PPTFC), providing stability and funding flexibility. Established relationships with nine financial institutions strengthen access to long-term facilities, while CODs enhance funding granularity by tapping retail and institutional investors. By end-Jun'24, total funding stood at PKR 18.9bn, with a shift toward short-term borrowings to support working capital, while liquid assets, primarily government securities, contributed to a stronger Liquid Assets to Funding (LAF) ratio of 15.8% (FY23: 13.4%). The absence of material mismatches in the asset-liability maturity profile reinforced balance sheet resilience.

As of Mar'25, amid an improving macroeconomic environment, liquidity was redirected toward portfolio expansion, resulting in a decline in the LAF ratio to 12.6% during 9MFY25.

Financial Summary

Appendix I

Balance Sheet (PKR Millions)	FY23	FY24	9MFY25
Fixed Assets	1,265.88	1,262.75	1,327.38
Net Investment in Finance Lease	5,733.89	4,099.59	3,735.60
Investments (Long-term & Short-term)	2,448.18	2,576.13	2,298.99
Long-term Finances & Loans	7,270.78	9,019.48	10,131.49
Short-term finances	42.39	33.63	11.44
Current maturity of Non-Current Assets	12,603.88	12,234.78	14,307.82
Cash and Bank Balances	145.39	404.21	349.82
Total Assets	31,953.24	31,953.88	34,582.49
Long-term finances (incl. of current maturity)	13,523.60	11,525.96	15,815.99
Short-term Borrowings	860.82	1,683.56	1,773.75
Total Debt	14,384.42	13,209.52	17,589.74
Long-term certificates of deposits (incl. of current maturity)	1,598.24	1,471.59	1,055.68
Short-term certificates of deposit	3,310.91	4,183.11	2,420.73
Total Liabilities	22,159.24	21,483.35	23,612.18
Paid-up Capital	1,754.08	1,754.08	1,754.08
Total Equity	9,794.00	10,470.54	10,970.32

Income Statement (PKR Millions)	FY23	FY24	9MFY25
Net-Markup Income	2,745.68	3,008.66	2,085.55
Other Income	774.35	959.32	703.00
Operating Expenses	1,472.45	1,642.43	1,258.48
Total Provisioning/(Reversal)	136.56	174.28	20.45
Profit/(Loss) Before Tax	2,029.04	2,290.85	1,625.92
Profit/(Loss) After Tax	1,210.73	1,392.91	1,007.28

Ratio Analysis	FY23	FY24	9MFY25
Gross Infection (%) - Finance Lease	4.39%	4.78%	5.60%
Net Infection (%) - Finance Lease	-1.51%	-1.53%	0.38%
Total Provisioning Coverage (%) - Finance Lease	134.37%	132.10%	93.18%
Gross Infection (%) - Finance & Loans	0.95%	1.22%	1.96%
Net Infection (%) - Finance & Loans	0.14%	0.20%	0.71%
General Provisioning Coverage (%) - Finance & Loans	0.44%	0.35%	0.11%
Specific Provisioning Coverage (%) - Finance & Loans	85.62%	83.51%	64.41%
Liquid Assets to Funding (%)	13.44%	15.80%	12.57%
Current ratio (x)	1.33	1.21	1.48
Efficiency (%)	40.47%	39.99%	43.32%
Return on Average Assets* (%)	3.93%	4.36%	4.04%
Return on Average Equity* (%)	12.94%	13.75%	12.53%
Gearing (x)	1.47	1.26	1.60
Leverage (x)	2.26	2.05	2.15

*Annualized, if required

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	OLP Financial Services Pakistan 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	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	11/09 /2025	AAA	A1+	Stable	Initial
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	
	Mr. Abid Hussain Awan	Chief Financial Officer (CFO)		13 th August 2025	
	Mr. Salman Ali	Company Secretary			
	Mr. Faisal Islam	Team Lead – MIS & Regulatory Reporting			