

Press Release

VIS Reaffirms Ratings of Pak-Gulf Leasing Company Limited at A-/A-2

Karachi, September 21, 2023: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Pak-Gulf Leasing Company Limited (PGLC) at 'A-/A-2' (Single A Minus/A-Two). The medium to long-term rating of 'A-' denotes good credit quality coupled with adequate protection factors. Moreover, risk factors may vary with possible changes in the economy. The short-term rating of 'A-2' denotes good certainty of timely payment coupled with sound company fundamentals and liquidity factors. Outlook on the assigned ratings is 'Stable'. The previous rating action was announced on May 16, 2022.

The assigned ratings take into account PGLC's operational track as a prominent leasing Company that has been active in the domestic leasing sector for over twenty-six years. Ratings also incorporate the challenging operational environment for privately-sponsored leasing companies in particular, where competition with banks and limited access to capital constrains the opportunities for accelerated growth. Further, the ratings reflect PGLC's regulatory environment, coming under the regulatory supervision of the SECP. Total outstanding gross portfolio of PGLC registered an increase in FY22; however, the same declined during the outgoing year owing to high benchmark rates prevalent which made financing unaffordable for major target market segments, and escalation in car prices which also made auto finance unaffordable. Nevertheless, the ratings reflect adequate profitability, timeline improvement in asset quality indicators in line with adoption of new accounting methodology and steady growth in capitalization indicators. The deposits are procured from sponsors in the form of COIs and are considered sticky. Given, there is no plan to obtain additional funding during the medium term, the capitalization profile is expected to remain comfortable. In addition, ratings factor in PGLC's adequate liquidity profile; the improvement in the same is primarily underpinned by higher investment in risk-free sovereign securities in compliance with the NBFC Regulation to invest at least 15% of the amount investment in CoIs in Government Securities. Going forward, the ratings remain dependent on maintenance of liquidity, capitalization and asset quality indicators amid weak macroeconomic environment.

For further information on this rating announcement, please contact the undersigned at 35311861-70 (Ext: 207) or Ms. Maham Qasim (Ext: 216) at 042-35723411-13.



Sara Ahmed
Director

VIS Entity Rating Criteria: Non-Bank Financial Companies (March 2020)
<https://docs.vis.com.pk/docs/NBFCs202003.pdf>

VIS Issue/Issuer Rating Scale
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

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