

# Press Release

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

Karachi, September 1, 2021: VIS Credit Rating Company Limited (VIS) has maintained the entity ratings of Pak-Gulf Leasing Company Limited (PGLC) at 'A-/A-2' (Single A Minus/A-Two). The long term rating of 'A-' signifies good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy. The short-term rating of 'A-2' signifies good certainty of timely payment; liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small. Outlook on the assigned ratings has been revised from 'Stable' to 'Negative'. The previous rating action was announced on June 30, 2020.

The revision in Outlook takes into account decline in asset quality together with the challenging operational environment, emanating in particular from the overall slowdown in business activities due to COVID-19. The Pandemic exacerbated challenges for the leasing industry, where competition with banks and limited access to capital has perennially been serving as a constraint. PGLC has witnessed a contraction in overall asset base as leasing operations remained subdued during the period under review. Moreover, asset quality indicators have been adversely affected as a few large-sized exposures went into litigation. Concentration in portfolio remains unchanged, which the management attributes to its selective underwriting strategy. Maintaining asset quality is considered important from a rating purview and will be monitored by VIS.

The assigned rating take into account operational track record of the Company which has been in the leasing business for more than 25 years and improvement in operating profitability on the back of expense rationalization measures and improved spreads. However, given the adverse movement in asset quality, the provisioning burden is likely to remain on the higher side. Gearing and leverage remained around prior year levels as at FY20 with slight improvement as of March'2021. Maintaining leverage with prudent limits is considered an important rating driver. VIS will continue to closely monitor the Company's performance metrics.

For further information on this rating announcement, please contact the undersigned at 021-35311861 (Ext-306) at 021-35311861 or fax to 021-35311872-3.

Faryal Ahmad Faheem  
Deputy CEO

VIS Entity Rating Criteria: Non-Bank Financial Companies (March 2020)  
<http://vis.com.pk/kc-meth.aspx>