

Press Release

VIS Reaffirms Entity Ratings of Pak-Gulf Leasing Company Limited

Karachi, 24 December 2024: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Pak-Gulf Leasing Company Limited ('PGLC' or the 'NBFC') at 'A-/A2' (Single A Minus/A Two). The medium to long-term rating of 'A-' denotes good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy. Short-term rating of "A2" denotes good likelihood of timely repayment of short-term obligations with sound short-term liquidity factors. Outlook on the assigned rating is 'Stable'. The previous rating action was announced on September 21, 2023.

Leasing companies in Pakistan remain susceptible to economic volatility, particularly influenced by inflationary pressures and interest rate fluctuations, which affect borrowing costs and demand for lease financing. During FY24, the sector faced challenges due to high inflation and rising interest rates, constraining leasing companies' profitability, business volumes and portfolio quality. Higher funding costs have impacted margins, while non-performing leases have increased, reflecting borrowers' strain in a difficult economic environment. Additionally, reliance on concentrated client bases and limited diversification exposes leasing companies to credit risks. While regulatory oversight offers some stability, the sector's limited resilience to economic shocks and dependency on external funding sources elevate its business risk profile.

The assigned ratings reflect PGLC's long-standing operational track record as an active leasing company in the contracting domestic leasing sector. The ratings also consider the challenging operating environment faced by privately-sponsored leasing companies, characterized by intense competition with banks and limited access to capital, which constrains opportunities for accelerated growth.

The ratings incorporate PGLC's adequate profitability, stable asset quality indicators, and consistent growth in capitalization metrics. Furthermore, ratings take into account the NBFC's adequate liquidity profile, which has improved due to sufficient coverage of liabilities by liquid assets.

Looking forward, maintaining asset quality alongside growth in portfolio will be important for the assigned ratings. Additionally, achieving the growth targets will remain a significant consideration for assessment of ratings.

For further information on this ratings announcement, please contact at 042-35723411-12 or email at info@vis.com.pk.

Applicable Rating Criteria: Non-Bank Financial Companies

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

VIS Issue/Issuer Rating Scale

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

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