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24-Jun-24

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Applicable Criteria

- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Financial Institution Rating | Oct-23
- Methodology | Rating Modifiers | Apr-24

Related Research

- Sector Study | DFIs | Jun-23

PACRA Maintains the Entity Ratings of Pak Libya Holding Company (Pvt.) Limited

Rating Type	Entity	
	Current (24-Jun-24)	Previous (24-Jun-23)
Action	Maintain	Maintain
Long Term	AA-	AA-
Short Term	A1+	A1+
Outlook	Positive	Positive
Rating Watch	-	-

The assigned ratings of Pak Libya Holding Company (Pvt.) Limited ("PLHCL" or "the Company") reflects the ownership strength derived from the Joint Venture (JV) between the Government of Pakistan and the Government of Libya. The prime purpose of the Development Financial Institutions (DFI) is social uplift via the execution of commercially viable projects. The management is strategizing to augment the diversity of its business portfolio by venturing into the MTS (Margin Trading System), underwriting, private equity and strategic partnership coupled with gradual enhancement of the lending portfolio. The gross performing advances stood at PKR 9.3bln as of CY23 and is primarily allocated to diversified sectors including sugar, textile, chemical & pharmaceutical, power and others. The Company is equipped with a credit risk model that assimilates sector-wise risk tagging and the borrower payment trend which escalates the asset quality. However, under-stress macroeconomic indicators escalated the NPLs (non-performing loans) and impacted the infection ratio. Over the years, the Company's asset book continued an upward trajectory reaching PKR 446.0bln in CY23 (CY22: 124.6bln), amidst the macroeconomic and industry-specific challenges. During CY23, the investment portfolio mix was predominantly vested with Government securities financed through the SBP's OMO facility. The strategic shift to investments in PIBs floater was made to curb market uncertainty about interest rate movement and maintain average duration at an optimal level. In CY23, the Company gained momentum as the NIM demonstrated a notable improvement at PKR 1.3bln compared to a loss of 2mln in CY22. The dividend income was an additional contribution to net profitability. The Company secured a bottom line of PKR 329.9mln (compared to a net loss of PKR 306.4mln). The enhanced equity base and a sizeable increase in CAR (CY23: 34.83%; CY22: 16.65%) contributed to improved risk absorption capacity. Borrowings from financial institutions are their primary source of funding, while the contribution of COIs remains minimal within the funding base. The Company intends to expand its footprint in the Islamic banking domain. This avenue is expected to yield a positive outcome for the Company, going forward.
A positive outlook reflects consistent efforts by the management to stabilize the revenue stream and attain a sustained profit stream from diversified operations. Meanwhile, the reduction in NPLs with improved asset quality and compliance with MCR is essential to sustain the ratings.

About the Entity
The Company is equally owned by the Government of the Islamic Republic of Pakistan, represented through the State Bank of Pakistan (SBP) and Ministry of Finance (MoF), and the Government of Libya, represented through the Libyan Foreign Investment Company (LAFICO). Its core business operation is to provide credit lines by investing in diverse sectors, aimed to foster economic development. The Company has a six-member board with equal representation from both governments. The MD & CEO, Mr. Tariq Mahmood is an experienced professional with widespread exposure to corporate & investment banking and the DMD, Mr. Bashir B. Omer is a distinguished investment banker with diversified international exposure. The Management is assisted by a team of highly qualified and seasoned professionals.

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