The Pakistan Credit Rating Agency Limited

PRESS RELEASE

Date
25-Jun-25

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Applicable Criteria

- Methodology | Financial Institution Rating | Oct-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-25
- Methodology | Rating Modifiers | Apr-25

Related Research

- Sector Study | Development Financial Institutions (DFIs) | Jun-24

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

Rating Type	Entity	
	Current (25-Jun-25)	Previous (24-Jun-24)
Action	Upgrade	Maintain
Long Term	AA	AA-
Short Term	A1+	A1+
Outlook	Stable	Positive
Rating Watch	-	-

The ratings upgrade of Pak Libya Holding Company (Pvt.) Limited ("PLHCL" or "the Company") reflects an improvement in its risk profile over the last couple of years, underpinned by better asset quality, enhanced profitability, consequent strengthening of the equity base, and improvement in funding structure. The Company is strategically diversifying its product portfolio by expanding into high-potential segments such as the Margin Trading System (MTS), Private Equity and enhanced focus on non-funded/fee income, aiming to generate multiple revenue streams and enhance earnings sustainability under the capable leadership of the MD & CEO duly supported by the DMD and a young management team. PLHCL's Treasury is supported by prudent duration matching between the investment portfolio and the Company's funding profile, mitigating interest rate risk. As part of its strategic initiative, the Company's Management plans to expand its footprint in the Islamic banking domain. Concurrently, the Company aims to diversify its investment portfolio through strategic partnerships in the agri-export and fintech sectors. The Company employs a credit risk model that integrates sector-wise risk tagging and borrower payment trends. Additionally, a management-level credit committee has been reconstituted to optimize risk management practices and enhance the overall quality of the credit portfolio. PLHCL effectively manages its market risk through a shift in its investment portfolio from fixed-rate PIBs to floating-rate PIBs, coupled with the enhancement of its funding structure via increased utilization of long-term bank credit lines and a reduced reliance on OMO facilities. This strategy is reflected in net mark-up income of PKR 1.55bln in 1QCY25, compared to a loss of PKR 639.07mln in 1QCY24. As of 1QCY25, the Company's advances book stood at PKR 12.02bln (CY24: PKR 11.24bln). The Company's asset base stood at PKR 334.63bln in 1QCY25 (CY24: PKR 373.29bln), reflecting a decline primarily due to prudent reduction in the Government Securities portfolio as a result of decline in the Policy Rate, amidst prevailing interest rate volatility. The Company's equity base increased to PKR 6.88bln in 1QCY25 (CY24: PKR 6.08bln), reflecting the reinvestment of profits into the business. PLCHL's Capital Adequacy Ratio (CAR) improved to 32.49%, indicating a solid buffer against potential credit and market shocks, thereby underscoring its strong risk absorption capacity. The Company has strengthened its management framework through hiring of competent personnel into strategic areas, leading to improved overall management effectiveness. The primary mandate of a Development Finance Institution is to promote economic and social development by financing commercially viable projects, particularly those that are underserved by conventional financial institutions.
The ratings are dependent on the management's ability to sustain its financial profile while managing the associated risks. The impact of new ventures on the business sustainability and profitability matrix of the Company is important. The prudent management of the credit portfolio and the maintenance of sound asset quality plays a pivotal role in the assigned 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 the 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 at fostering economic development. The Company has a six-member board with representation from both governments. The MD & CEO, Mr. Tariq Mahmood, CFA is an experienced professional with widespread exposure in corporate & investment banking, and the DMD, Mr. Bashir B. Omer Matok, is a distinguished investment banker with diversified international exposure.