



The Pakistan Credit Rating Agency Limited

Rating Report

IGI Holdings Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
16-Dec-2022	AA	A1+	Stable	Maintain	-
17-Dec-2021	AA	A1+	Stable	Maintain	-
18-Dec-2020	AA	A1+	Stable	Maintain	-
20-Dec-2019	AA	A1+	Stable	Maintain	-
21-Jun-2019	AA	A1+	Stable	Maintain	-
20-Dec-2018	AA	A1+	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The ratings reflect IGI Holdings Limited's ("IGI Holdings" or "the Company") very strong profile as an investment holding company. IGI Holdings consolidates Packages Group's investments in the financial sector i.e. Life & Non-life Insurance and Brokerage. Moreover, the Company holds investments in diversified sectors through a wholly-owned subsidiary, IGI Investments (Pvt.) Ltd (IGI Investments), an investment holding company. The Company has a well-developed mechanism for overseeing the investment management and monitoring process along with making new investments, an important requisite for any holding company. The Company's key underlying investments are performing well in their respective sectors, providing a steady stream of dividends. IGI Investments has a sizable investment portfolio comprising strong players mainly financed through equity. IGI General Insurance posted stable growth in terms of business volumes and in turn profitability; while IGI Life is pursuing growth strategy. Lately, IGI Life has started to generate profits. The Company holds a strong financial risk profile owing to strong coverages and significant liquidity showing a robust position. The Company has loaded short-term debt to fund the timing difference between dividends. However, leveraging remains minimal with largely an equity-based capital structure. Moreover, very strong business acumen of the sponsoring family and strong governance practices provide support to the ratings.

Ratings depend upon sustained performance of existing strategic investments, along with a strong investment and governance framework. Formalizing a strong and effective mechanism for monitoring performance and providing holistic direction to its subsidiaries, along with investment diversification would bode well for the ratings.

Disclosure

Name of Rated Entity	IGI Holdings Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22),Methodology Holding Company Rating(Jun-22)
Related Research	Sector Study Holding Company(Aug-22)
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Profile

Background IGI Holdings Limited ("IGI Holdings" or "the Company") was incorporated as a public limited company in 1953 under the Companies Ordinance, 1984 and is quoted on the Pakistan Stock Exchange Limited.

Structural Analysis IGI Holdings Limited is classified as a financial services holding company of Packages Group. IGI Holdings has an investment book of PKR 16bln (3QCY22) in entities engaged in life and non-life insurance, brokerage, and investment holding. Dividends from these entities contribute towards the Company's profitability.

Ownership

Ownership Structure Major ownership of IGI Holdings (~74%) vests with Packages Group through sponsors (~34%) and associated entities (~40%) as of 3QCY22. Of the remaining stake ~26% is free floated.

Stability Ownership of the Company is seen as stable as majority ownership vests with the sponsors.

Business Acumen IGI Holdings and Packages Group are ranked amongst the leading industrial groups of the country with diversified interests in paper and paperboard, packaging, financial institutions, food, personal care, and real estate sectors. Strong affiliation and technical track record with international JVs have added to the success of companies within the Group.

Financial Strength Major shareholding of the sponsors is consolidated in two main companies; IGI Holdings and Packages Limited. These two companies have a collective asset base of PKR 253bln, debt exposure of PKR 71bln, and equity base of PKR 116bln as at 3QCY22. During 3QCY22 the companies achieved a collective turnover of PKR 100bln with a bottom line of PKR 10bln.

Governance

Board Structure IGI Holdings Board comprises of eight members: five non-executive directors, two independent directors, and the Chief Executive Officer. The majority of the members have long associations with the Group and its companies. Apt Board size and presence of independent oversight indicate a well-framed governance structure.

Members' Profile The BoD consists of seasoned professionals with significant experience. The Board's Chairman, Syed Babar Ali, is the key individual in the development of the Group. He is the founder of Packages Limited, Milkpak Limited – now Nestlé Pakistan Limited, and Lahore University of Management Sciences. He is also the Chairman of Sanofi-Aventis Pakistan Limited and Coca-Cola Beverages Pakistan Limited's Board.

Board Effectiveness The BoD has two committees to assist in governing the affairs of the Company, namely, a) HR & Remuneration Compensation Committee, and b) Audit Committee. Information packs for performance reporting of each subsidiary are solicited from the management and presented to the BoD on quarterly basis. Four Board meetings were held during 3QCY22.

Transparency IGI Holdings' External Auditors are A.F. Ferguson & Co. They issued an unqualified auditor report for CY21.

Management

Organizational Structure IGI Holdings institutes a simple organizational structure divided across basic functional divisions. The subsidiaries have been given independent operational roles and have their own CEO, CFO and support functions. The Legal function is centralized across the subsidiaries and the Company, whereas, the IT function is centralized at Group level.

Management Team The Company has a team of experienced individuals that has been associated with Packages Group for a long time and have significant experience in the insurance and financial sector. Mr. Tahir Masaud, the CEO, has diversified national and international insurance-related experience of over 20 years. He is also the CEO of IGI General Insurance Limited and IGI Investments (Pvt) Ltd. Mr. Syed Awais Amjad, CFO, has an overall experience of over a decade. He is also the CFO of IGI General Insurance Limited.

Management Effectiveness The Company leads the oversight and control process of its subsidiaries. This is an evolving process and is expected to strengthen with time.

Control Environment Packages Group has setup its own internal audit function, which is also responsible for the identification, assessment and reporting of all types of risks due to business operations of IGI Holdings and its subsidiaries. Internal audit reports for each subsidiary are presented to the Board Audit Committee and the BoD for discussion.

Investment Strategy

Investment Decision-Making For investment decision-making, the Company has an investment team at Group level. It is headed by Mr. Sajjad Iftikhar, Group's Chief Investments Officer. He has been associated with the Group since 2006.

Investment Policy The Company has a prudent investment policy as it focuses on investing in the financial services sector only. These include life and general insurance, brokerage and investment companies.

Investment Committee Effectiveness The Group investment team liaisons with the rest of the Group companies, and receives updates on their performance. The team then presents them to the BoD on a quarterly basis.

Business Risk

Diversification The Company's investment portfolio consists of investment in an investment holding company (IGI Investments (Pvt) Ltd.) at ~75%. ~23% of the investment book consists of insurance companies (IGI General Insurance Ltd and IGI Life Insurance Ltd.) while the remaining 2% consists of investments in a brokerage company (IGI Finex Securities Ltd.).

Portfolio Assessment The Company holds two kinds of investments on its books: Core and Strategic investments. Core investments include three wholly-owned subsidiaries: IGI Investments Limited, IGI General Insurance Limited, and IGI Finex Securities Limited. Strategic investment includes IGI Life Insurance Limited, a listed concern. IGI Holdings holds ~ 82.69% of shares of this company, while ~ 11% are floated free in the stock market.

Income Assessment During 3QCY22, the Company's topline stood at PKR 961mln (3QCY21: PKR 1,060mln). Dividend income declined due to lower dividends declared from IGI General Insurance (3QCY22: PKR 160mln, 3QCY21: PKR 260mln) due to lower investment income booked. Whereas, IGI Investments declared a stable dividend of PKR 800mln. No dividend was received from IGI Life Insurance or IGI Finex during the period.

Financial Risk

Coverages Owing to a declining dividend income, total operating cashflows declined to PKR 906mln as of 3QCY22 (3QCY21: PKR 1,185mln). Finance costs increased from PKR 77mln in 3QCY21 to PKR 154mln in 3QCY22 due to higher short-term debt and rising markup rates. This resulted in declining coverages at 6.3x (3QCY21: 12.3x).

Capital Structure The Company has a low leveraged capital structure at 9.8% as of 3QCY22 (3QCY21: 10.6%) consisting of short-term debt. AS at 3QCY22, short term borrowings stood at PKR 1,418mln (3QCY21: PKR1,232mln). Loan to Value has remained strong over the years (3QCY22: 9.2%; 3QCY21: 8.3%), on account of high market value of investments (3QCY22: 17,095mln; 3QCY21: 20,287mln).

Consolidated Position The Company derives its financial strength from its sponsors, Packages and associated companies. On a consolidated level, the Company has a low leverage of ~2.9% (3QCY21: ~4.4%). Shareholder's equity was stable at PKR 49bln. Whereas, the total debt stood at PKR 3.0bln (3QCY21: PKR 3.9bln).



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

IGI Holdings Limited Holding Company	Sep-22	Dec-21	Dec-20	Dec-19
	9M Management	12M Audited	12M Audited	12M Audited
A BALANCE SHEET				
1 Investments	221	217	218	223
2 Related Party Investments	15,852	15,852	15,838	15,736
3 Non-Current Assets	21	18	22	45
4 Current Assets	130	187	250	87
5 Total Assets	16,224	16,275	16,328	16,092
6 Current Liabilities	295	268	278	297
7 Borrowings	1,568	1,625	1,758	2,021
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	-	-	-	-
10 Net Assets	14,362	14,382	14,292	13,774
11 Shareholders' Equity	14,362	14,382	14,292	13,774
B INCOME STATEMENT				
1 Total Investment Income	966	1,262	1,111	1,111
a Cost of Investments	(143)	(132)	(192)	(210)
2 Net Investment Income	822	1,130	918	901
a Other Income	6	43	123	108
b Operating Expenses	(64)	(74)	(66)	(98)
4 Profit or (Loss) before Interest and Tax	764	1,099	975	912
a Taxation	(4)	(9)	(31)	(15)
6 Net Income Or (Loss)	760	1,090	944	897
C CASH FLOW STATEMENT				
a Total Cash Flow	906	1,362	920	1,027
b Net Cash from Operating Activities before Working Capital Changes	751	1,223	713	836
c Changes in Working Capital	33	(36)	(2)	19
1 Net Cash (Used in) or Available From Investing Activities	784	1,187	711	855
2 Net increase (decrease) in long term borrowings	2	-	2	(830)
3 Net Cash (Used in) or Available From Financing Activities	(931)	(1,134)	(691)	389
4 Net Cash generated or (Used) during the period	(145)	53	21	414
D RATIO ANALYSIS				
1 Performance				
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	69.5%	60.9%	53.4%	66.5%
b Core Investments / Market Value of Equity Investments	82.8%	72.5%	63.6%	78.7%
c Marketable Investments / Total Investments at Market Value	0.1%	0.0%	0.0%	0.0%
2 Coverages				
a TCF / Finance Cost	6.3	10.3	4.8	4.9
b TCF / Finance Cost + CMLTB	3.5	3.2	1.9	2.0
c Loan to Value (Funding / Market Value of Equity Investments)	0.1	0.1	0.1	0.1
3 Capital Structure (Total Debt/Total Debt+Equity)				
a Leveraging [Funding / (Funding + Shareholders' Equity)]	9.8%	10.2%	11.0%	12.8%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	10.9%	11.3%	12.3%	14.7%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	Very high credit risk. Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk Rating
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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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