



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
15-Dec-2023	AA	A1+	Stable	Maintain	-
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 the robust investment profile of IGI Holding Limited company ("IGI Holdings" or "the Company"). IGI Holdings consolidates the financial sector investments of Packages Group, covering both Life and Non-life Insurance, along with Brokerage. The Company maintains diversification in its investment portfolio through a wholly owned subsidiary IGI Investments (Pvt.) Ltd which functions as an investment holding company. The Company has a well-established mechanism for supervising the investment management and monitoring processes, as well as for making new investments, a crucial requirement for any holding company. The Company receives steady dividend income from its core investments that are IGI general insurance and IGI Investments (pvt.) Ltd. During 9MCY23, investment income of IGI Holdings increased to PKR 1,094mln (9MCY22: PKR 966mln). The Company maintains a strong financial risk profile due to strong coverages. Whereas, liquidity of the company also indicates the company's strong financial position. Net income of the company stood at PKR 837mln in 9MCY23 (9MCY22: PKR 760mln). The short-term debt is employed to address the timing difference in dividend payments. During 9MCY23, the short term debt stood at PKR 968mln (9MCY22: PKR 1,198mln). However, the Company shows a strong leverage position as leverage of the company stood at 6.2% in 9MCY23 (9MCY22: 9.8%). Whereas return on equity also experienced a slight surge as it stood at 8% in 9MCY23 (9MCY22: 7%). The Company has also invested PKR 100mln, through IGI Investments, in the micro insurance distributor, Milvik Mobile Pakistan to diversify the investment portfolio, providing health and insurance services to customers.

Ratings depends upon the existing and new strategic investments along with investment and governance framework. Establishing a robust and efficient system to monitor performance and offer comprehensive guidance to its subsidiaries, coupled with diversifying investments, would positively impact the rating of IGI Holdings Limited.

#### Disclosure

<b>Name of Rated Entity</b>	IGI Holdings Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Holding Company Rating(Jul-23),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Rating Modifiers(Apr-23)
<b>Related Research</b>	Sector Study   Holding Company(Aug-23)
<b>Rating Analysts</b>	Muhammad Zain Ayaz   zain.ayaz@pacra.com   +92-42-35869504



## 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 (9MCY23) 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 (~63%) vests with Packages Group through sponsors (~24.36%) and associated entities (~38.24%) as of 9MCY23. Of the remaining stake ~8.29% is held by Financial Institutions, Banks, Insurance Companies, Modarabas & Mutual Funds and the rest ~29% 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, food, personal care, financial services, 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 ~323bln and equity base of PKR ~145bln as at 9MCY23.

## Governance

**Board Structure** IGI Holdings Board comprises of seven members: four 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.

**Transparency** IGI Holdings' External Auditors are A.F. Ferguson & Co. They issued an unqualified auditor report for CY22.

## 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. Syed Hyder Ali, the CEO, has diversified national and international insurance-related and holds directorship in several companies. He is also the CEO of Packages Convertors. 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 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

**Investment Committee Effectiveness** The Company's investment portfolio consists of investment in an investment holding company (IGI Investments (Pvt) Ltd.) at ~78%. ~21% of the investment book consists of insurance companies (IGI General Insurance Ltd and IGI Life Insurance Ltd.) while the remaining 1% consists of investments in a brokerage company (IGI Finex Securities Ltd at 9MCY23.

## Business Risk

**Diversification** The Company's investment portfolio consists of investment in an investment holding company (IGI Investments (Pvt) Ltd.) at ~78%. ~21% of the investment book consists of insurance companies (IGI General Insurance Ltd and IGI Life Insurance Ltd.) while the remaining 1% 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 ~ 83% of shares of this company, while ~ 11% are floated free in the stock market.

**Income Assessment** During 9MCY23, the Company's topline stood at PKR ~1.1bln (9MCY22: PKR 0.9bln). However dividends from GI Investments (Pvt.) Ltd. posted a slight dip and stood at PKR 700mln in 9MCY23 (9MCY22: PKR 800mln). However, dividends from IGI General Insurance posted a surge and declared PKR 385mln during 9MCY23 (9MCY22: PKR 160mln). No dividend was received from IGI Life Insurance or IGI Finex during the period.

## Financial Risk

**Coverages** Total operating cash flow experienced a surge and stood at PKR 1.1bln in 9MCY23 (9MCY22: PKR 0.9bln). Finance cost increased and stood at PKR 190mln in 9MCY23 (9MCY22: PKR154mln) due to high markup rates. Interest coverage ratio decreased and stood at 5.7x in 9MCY23 (9MCY22: 6.3x). During 9MCY23, total operating cash flows increased and stood at PKR 1bln (9MCY22: PKR 0.9bln) due to increase in the dividend income. Debt payback ratio decreased and stood at 1.3x in 9MCY23 (9MCY22: 2.2x) due to surge in the interest rates.

**Capital Structure** The Company has a low leveraged capital structure at 6.2% as of 9MCY23 (9MCY22: 9.8%) consisting of short-term debt and minimal related party borrowings. As at 9MCY23, short term borrowings stood at PKR 968mln (9MCY22: PKR1,418mln). During 9MCY23, Loan to Value decreased and at 6.9% (9MCY22: 9.2%) on account of high market value of investments of PKR 14,009mln (9MCY22: PKR 17,105mln).

**Consolidated Position** The Company derives its financial strength from its sponsors, Packages and associated companies. On a consolidated level, shareholder's equity stood at PKR 58bln in 9MCY23 (9MCY22: PKR 49bln). Total assets increased and stood at PKR 107bln in 9MCY23 (9MCY22: PKR 89bln). Total debt of the company increased and stood at PKR 49bln in 9MCY23 (9MCY22: PKR40bln).



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Financial Summary  
PKR mln

IGI Holdings Limited Holding Company	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Dec-21	Dec-20
	9M	6M	3M	12M	9M	6M	12M	12M
	Management	Management	Management	Audited	Management	Management	Audited	Audited
<b>A BALANCE SHEET</b>								
1 Investments	223	217	218	217	221	220	217	218
2 Related Party Investments	15,688	15,688	15,688	15,688	15,852	15,852	15,852	15,838
3 Non-Current Assets	1	1	3	3	21	21	18	22
4 Current Assets	139	134	132	133	130	123	187	250
5 Total Assets	16,051	16,040	16,041	16,042	16,224	16,216	16,275	16,328
6 Current Liabilities	337	328	323	315	295	274	268	278
7 Borrowings	968	1,198	1,076	1,112	1,568	1,623	1,625	1,758
8 Related Party Exposure	-	-	-	103	-	-	-	-
9 Non-Current Liabilities	-	-	-	-	-	-	-	-
10 Net Assets	14,746	14,515	14,642	14,512	14,362	14,320	14,382	14,292
11 Shareholders' Equity	14,746	14,515	14,642	14,512	14,362	14,320	14,382	14,292
<b>B INCOME STATEMENT</b>								
1 Total Investment Income	1,094	490	203	1,386	966	554	1,262	1,111
a Cost of Investments	(179)	(116)	(53)	(359)	(143)	(84)	(132)	(192)
2 Net Investment Income	915	374	150	1,027	822	470	1,130	918
a Other Income	-	-	-	7	6	6	43	123
b Operating Expenses	(77)	(47)	(19)	(102)	(64)	(39)	(74)	(66)
4 Profit or (Loss) before Interest and Tax	838	327	130	933	764	437	1,099	975
a Taxation	(1)	(1)	(0)	(2)	(4)	(3)	(9)	(31)
6 Net Income Or (Loss)	837	326	130	912	760	434	1,090	944
<b>C CASH FLOW STATEMENT</b>								
a Total Cash Flow	1,014	441	182	1,290	906	520	1,362	920
b Net Cash from Operating Activities before Working Capital Changes	825	314	135	1,126	751	425	1,223	713
c Changes in Working Capital	(73)	(79)	(100)	114	33	18	(36)	(2)
1 Net Cash (Used in) or Available From Investing Activities	751	235	35	1,240	784	443	1,187	711
2 Net increase (decrease) in long term borrowings	2	2	2	2	2	2	-	2
3 Net Cash (Used in) or Available From Financing Activities	(604)	(320)	(37)	(1,294)	(931)	(649)	(1,134)	(691)
4 Net Cash generated or (Used) during the period	150	(83)	(0)	(52)	(145)	(204)	53	21
<b>D RATIO ANALYSIS</b>								
1 Performance								
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	84.8%	84.9%	77.8%	77.4%	69.5%	71.7%	60.9%	53.4%
b Core Investments / Market Value of Equity Investments	99.9%	100.0%	91.6%	91.2%	82.8%	85.5%	72.5%	63.6%
c Marketable Investments / Total Investments at Market Value	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
2 Coverages								
a TCF / Finance Cost	5.7	3.8	3.4	6.6	6.3	6.2	10.3	4.8
b TCF / Finance Cost + CMLTB	5.7	3.8	3.4	6.6	3.5	3.3	3.2	1.9
c Loan to Value (Funding / Market Value of Equity Investments)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
3 Capital Structure (Total Debt/Total Debt+Equity)								
a Leveraging (Funding / (Funding + Shareholders' Equity)	6.2%	7.6%	6.8%	7.1%	9.8%	10.2%	10.2%	11.0%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	6.6%	8.3%	7.3%	7.7%	10.9%	11.3%	11.3%	12.3%

### 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	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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	<b>High credit quality.</b> 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+	<b>Good credit quality.</b> 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	
BBB-	
BB+	<b>Moderate risk.</b> 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	<b>High credit risk.</b> 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	<b>Very high credit risk.</b> Substantial credit risk "CCC" Default is a real possibility.
CC	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):  
 a) Broker Entity Rating  
 b) Corporate Rating  
 c) Debt Instrument Rating  
 d) Financial Institution Rating  
 e) Holding Company Rating  
 f) Independent Power Producer Rating  
 g) Microfinance Institution Rating  
 h) Non-Banking Finance Companies Rating

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(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)

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- 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

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- (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).
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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)
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- (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)

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- (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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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