The Pakistan Credit Rating Agency Limited

Rating Report

Energy Infrastructure Holding (Pvt.) Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
03-Feb-2021	A-	A1	Stable	Maintain	-
07-Feb-2020	A-	A1	Stable	Maintain	-
09-Aug-2019	A-	A1	Stable	Maintain	-
08-Feb-2019	A-	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The ratings reflect Energy Infrastructure Holding (Pvt.) Limited's ('EIHPL' or 'the Company') association with its parent company, Jahangir Siddiqui & Co. Ltd. ('JSCL'). The Company has made investments in LPG Storage and Oil Marketing businesses through its subsidiaries- JS Petroleum and Quality 1 Petroleum, respectively. Lately, EIHPL has acquired 100% ownership of Quality 1 Petroleum (Pvt.) Ltd, an OMC with 30 operational pumps. JS Petroleum, however, is still at initial stages. Amidst Covid-19, the slowdown in economy and respective energy sectors has elongated materialization of envisaged strategy. Being an investment arm of JSCL, both projects are predominantly funded - through equity - by the parent company. However, these projects have a medium-term gestation period and require time to stabilize and become dividend yielding investments. Meanwhile, the Company has a trading portfolio of listed equity investments for steady dividend inflows. The Company has a strong financial profile, represented by 100% equity base.

The ratings are dependent on continued support from the parent company. Realization of the envisioned investment plans and formalization of a strong and effective mechanism for monitoring performance and providing holistic direction as a holding company are critical. Excessive leveraging, leading to weak coverages and/or deteriorating profitability, will adversely impact the ratings.

Disclosure	
Name of Rated Entity	Energy Infrastructure Holding (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Holding Company(Jun-20),Methodology | Correlation Between Long-Term And Short-Term Rating Scale(Jun-20),Criteria | Rating Modifier(Jun-20)
Related Research	Sector Study | Holding Company(Aug-20)
Rating Analysts	Faiqa Qamar | faiqa.qamar@pacra.com | +92-42-35869504

Profile

Legal Structure Energy Infrastructure Holding (Pvt.) Limited ('the Company' or 'EIHPL') is a private limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017)

Background The Company was incorporated on April 15, 2008. JS Group has invested in energy, petroleum and infrastructure projects through EIHPL.

Operations The Company is engaged in energy, petroleum and infrastructure businesses. The Company's investments comprise 1) Core, 2) Strategic Investments and 3) Short term Investments. The Company also has ~5.39% stake in EFU General Insurance Limited. Short-term investments include listed equity investments. Core Investments include subsidiaries, JS Petroleum, Quality 1 Petroleum and JS Engineering. JS Petroleum, a joint venture of three Companies, is in the process of getting approval from Port Qasim authority to establish an LPG Storage facility at Port Qasim. Covid-19 has delayed the expected timeline for the project to come online. Lately, EIHPL has acquired 100% ownership of Quality 1 Petroleum, that has license to operate as an OMC and has over 30 operational pumps. The Company is currently evaluating investment opportunities for JS Engineering.

Ownership

Ownership Structure The Company is a wholly owned subsidiary of Jahangir Siddiqui & Co. Ltd (JSCL), the Holding Company of JS Group.

Stability Ownership of the Company is seen as stable as no change is expected.

Business Acumen JS Group is a renowned business group of Pakistan. The Group has varied interests in the financial sector, including asset management, financial advisory, brokerage, insurance and banking. JS Group also has investments in industries namely textile, energy, infrastructure, media services, telecom and technology.

Financial Strength The Company, being wholly owned by JSCL, derives its financial strength from the parent company. As of 3QCY20, JSCL has a consolidated asset base of PKR 502bln, which is supported by consolidated equity base of PKR 32bln. JSCL generated a consolidated topline of PKR 40.7bln during 3QCY20.

Governance

Board Structure BoD comprises three members, two of whom are executive members, including the CEO. Limited size of the Board and absence of independent oversight indicates room for improvement in the overall governance framework. However, oversight is maintained through common personnel between senior management of JSCL and BoD members of EIHPL.

Members' Profile The Board is chaired by Mr Hasan Shahid, FCA, with an experience of over 18 years in the fields of finance, internal control environment, compliance and taxation. He is the CFO of JS Bank, previously Director Finance and Company Secretary of JSCL, and also holds directorship in other group companies. Mr. Najmul Hoda Khan, ACA, is the CEO and has been associated with the Company at the current position since 2015. He carries over a decade of experience, and is the CFO of the Parent Company (JSCL). Syed Ali Hasham, ACA, having over 5 years of experience, is working in the capacity of CFO and Company Secretary since Oct' 17. He also assumes the charge of Company Secretary in the Parent Company (JSCL).

Board Effectiveness There were three board meetings held as of 3QCY20, which had 100% attendance.

Financial Transparency External auditors, EY Ford Rhodes, issued an unqualified audit report for CY19. The firm has been the Company's auditor since 2008.

Management

Organizational Structure Currently, the management of JSCL is looking after the affairs of the Company. The subsidiary companies, Quality 1 and JS Petroleum, have their own CEO's that report directly to the BoD.

Management Team Mr. Najmul Hoda Khan, ACA, is the CEO and has been associated with the Company at the current position since 2015. He carries over a decade of experience, and is the CFO of the Parent Company (JSCL). Syed Ali Hasham, ACA, having over 5 years of experience, is working in the capacity of CFO and Company Secretary since Oct-17.

Effectiveness Keeping in view the initial stages of the underlying subsidiaries and limited operations of the Company itself, no management committees are in place currently. A formal review mechanism to monitor performance of subsidiaries will be implemented in future.

MIS To manage trading portfolio, the Company uses an in-house developed MIS system which captures transactional data for Ready and Deliverable Future Markets contracts for buy and sell transactions.

Control Environment Management accounts and reports such as variance analysis are solicited from the subsidiaries on a monthly basis and after review, are presented to the ultimate parent company (JSCL) for reporting purposes. Budgets are prepared on an annual basis to define financing requirements for deployment to underlying subsidiaries.

Business Risk

Industry Dynamics Holding companies are an emerging phenomenon in Pakistan. Some operating companies that held strategic investments gradually for the purpose of diversification and growth eventually de-merged from their operations and structured themselves so that holding companies could consolidate their investments for the purpose of business growth and diversification.

Relative Position In comparison to the major players in the Holding Companies, Energy Infrastructure is yet to evolve as a Holding Company. However, the Parent Company, JSCL, is well positioned in the industry as it has structured itself into a pure Investment Holding Company for the purpose of oversight of its investments.

Revenues EIHPL's topline comprises of 81% dividend income as of 3QCY20. Income from investments in listed equity securities increased by 1.7% (3QCY20: PKR 119mln, 3QCY19: PKR 117mln). Moreover, plunge in the country's equity markets performance resulted in increased unrealized capital losses (3QCY20: ~ PKR 13.3mln loss, 3QCY19: ~PKR 1.9mln loss). Gain on the disposal of investments is nil during 3QCY20 (3QCY19: ~PKR 0.7mln). Decrease in interest rates and unrealized losses have caused EIHPL's revenue stream to decrease by ~7.8% QoQ, clocking in at PKR ~147mln (3QCY19: 159mln).

Margins During 3QCY20, operating and administrative expenses stood at PKR 18mln and the bottom line closed at PKR 97mln with decreased net margin of 65% compared to 70% in 3QCY19 due to increased tax expense.

Sustainability The Company is not expected to start receiving dividends from its subsidiaries in future. However, dividends from its current investments provide sufficient cushion. The Company's project of establishing LPG storage facility at Port Qasim has been delayed amidst the COVID-19 pandemic.

Financial Risk

Working Capital During 3QCY20, the short term borrowings were fully paid off (PKR 253 mln utilized in CY19). The Company has no long term debt on its balance sheet.

Coverages The Company has incurred finance charges of PKR 0.3mln during 3QCY20. Coverage Ratio is expected to remain strong, going forward, as the investments intend to limit debt servicing to the extent of dividend inflow. Moreover, the Company has sufficient liquid assets in its investment book, providing a strong liquidity assessment ratio.

Capitalization The Company's capital structure comprises of equity only. During 3QCY20. the Company fully repaid the loan acquired in CY19.

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	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Dec-18	Dec-17
	9M	6M	3M	12M	9M	6M	12M	12M
	Management	Management	Management	Audited	Management	Management	Audited	Audited
A BALANCE SHEET								
1 Investments	1,834	1,868	1,949	2,400	2,036	2,161	2,557	2,289
2 Related Party Investments	1,934	1,978	1,429	1,441	1,397	1,301	969	127
3 Non-Current Assets	605	255	255	255	255	255	255	211
4 Current Assets	143	63	101	318	110	214	77	901
5 Total Assets	4,516	4,165	3,735	4,415	3,798	3,931	3,858	3,528
6 Current Liabilities	23	21	22	23	31	20	21	865
7 Borrowings	0	1	0	253	0	0	0	0
8 Related Party Exposure	-	-	-	-	-	-	-	-
9 Non-Current Liabilities	13	7	10	11	25	28	24	35
10 Net Assets	4,480	4,136	3,703	4,128	3,742	3,883	3,814	2,628
11 Shareholders' Equity	4,480	4,136	3,703	4,128	3,741	3,883	3,814	2,628
B INCOME STATEMENT								
1 Total Investment Income	147	115	76	198	159	126	175	229
a Cost of Investments	*(0)*	*(0)*	*(0)*	*(0)*	*(1)*	*(1)*	*(0)*	*(0)*
2 Net Investment Income	147	115	76	198	159	125	175	229
a Other Income	-	-	-	-	-	-	-	31
b Operating Expenses	*(18)*	*(13)*	*(6)*	*(40)*	*(28)*	*(10)*	*(10)*	*(11)*
4 Profit or (Loss) before Interest and Tax	129	102	70	158	130	115	164	249
a Taxation	*(32)*	*(17)*	*(13)*	*(21)*	*(19)*	*(16)*	*(32)*	*(31)*
6 Net Income Or (Loss)	97	85	57	137	111	99	132	217
C CASH FLOW STATEMENT								
a Total Cash Flow	*129*	*102*	*70*	*(22)*	*130*	*115*	*7*	*67*
b Net Cash from Operating Activities before Working Capital Changes	*129*	*102*	*70*	*(22)*	*130*	*115*	*7*	*67*
c Changes in Working Capital	-	-	-	*(97)*	-	-	*(845)*	*604*
1 Net Cash provided by Operating Activities	129	102	70	(119)	130	115	(838)	671
2 Net Cash (Used in) or Available From Investing Activities	-	-	-	33	-	-	(1,673)	(1,421)
3 Net Cash (Used in) or Available From Financing Activities	-	-	-	253	-	-	1,700	1,370
4 Net Cash generated or (Used) during the period	129	102	70	167	130	115	(810)	619
D RATIO ANALYSIS								
1 Performance								
a Asset Concentration (Market Value of Largest Investment / Market Value of	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%
b Core Investments / Market Value of Total Investments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments	34.1%	30.8%	25.0%	31.0%	28.4%	31.3%	30.5%	67.9%
2 Coverages								
a TCF / Finance Cost	496.3	395.4	268.9	-85.4	142.7	135.2	575.6	5192.8
b TCF / Finance Cost + CMLTB	496.3	395.4	268.9	-85.4	142.7	135.2	575.6	5192.8
c Loan to Value (Funding / Market Value of Total Investments)	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0
3 Capital Structure (Total Debt/Total Debt+Equity)								
a Leveraging [Funding / (Funding + Shareholders' Equity]	0.0%	0.0%	0.0%	5.8%	0.0%	0.0%	0.0%	0.0%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	0.0%	0.0%	0.0%	6.1%	0.0%	0.0%	0.0%	0.0%

Credit Rating

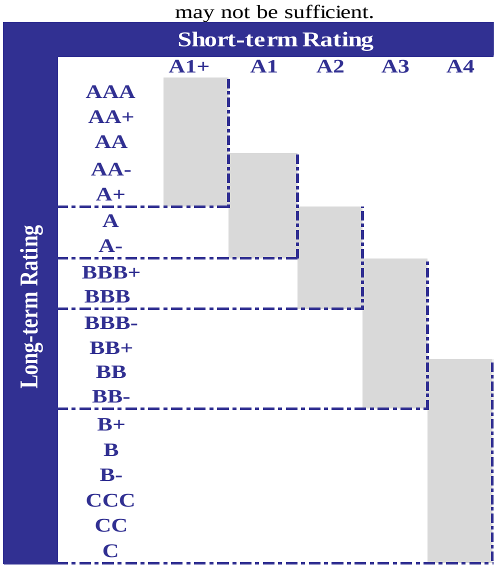
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long-term Rating

Scale	Definition
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ 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.
A+ 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.
BBB+ 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.
BB+ BB 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.
B+ 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.
CCC CC C	**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.
D	Obligations are currently in default.

Short-term Rating

Scale	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
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 surveill 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):

Entities
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

Instruments
a) Basel III Compliant Debt Instrument Rating
b) Debt Instrument Rating
c) Sukuk Rating

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations,2016)

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.

(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)

Independence & Conflict of interest

(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)

Proprietary Information