



Holding Companies

Research Team

Aiza Khalid | Supervising Senior

Alizae Bukhari | Associate Research Analyst

© The Pakistan Credit Rating Agency Limited.



Holding Companies

Contents	Page.	Contents	Page.
Global		Financial Risk Borrowings	12
Introduction	1	Regulatory Framework	13
Local		Rating Chart	14
Overview	2	SWOT Analysis	15
Investment Strategies	3	Outlook	16
Snapshot	4	Bibliography	17
Investments Portfolio	5		
Investments Breakdown	6		
Total Assets Player-wise	8		
Total Investments Player-wise	9		
Business Risk Investment Diversification	10		
Business Risk Portfolio Assessment	11		

Holding Companies

Global | Introduction

- Holding company structures are getting increasingly popular in developing economies due to their numerous corporate benefits after setting marks in developed economies.
- In the USA, a Holding Company is defined as the parent business entity, usually a Corporation or LLC, that does not manufacture anything, sell any products or services, or conduct any other business operations. Its purpose, as the name implies, is to hold the controlling stock or membership interests in other companies to form corporate groups. The Holding Company manages Group or other investments.
- A classic example of a Holding Company is Alphabet Inc. - An American multinational Conglomerate that was created through the restructuring of Google in Oct'15, and became the parent company of Google and several former Google subsidiaries.
- Another example is Berkshire Hathaway Inc., An American multinational conglomerate. The company wholly owns a wide variety of big businesses, and also owns significant minority holdings in public companies such as The Coca-Cola Company, Bank of America, and Apple.



Holding Companies

Local | Overview

- As per the Companies Act 2017, a Holding Company is defined as “a company which is another company’s Holding Company if, but only if, that the other company is its subsidiary” while a subsidiary is defined as “a company in which the Holding Company controls the composition of the Board or exercises or controls more than one-half of its voting securities either by itself or together with one or more of its subsidiary companies”. A Holding Company is also sometimes called an "umbrella" or parent company.
- PACRA’s definition of Holding Companies is broader and encompasses a wider range of entities, as compared to the definition of Holding Companies (referred to as “Holding Companies”) laid out in the Companies Act, 2017.
- PACRA defines Holding Companies as entities primarily involved in holding controlling and/or non-controlling stakes (equity participation) in other companies for the purpose of generating capital gains and/or dividend income. These stakes may be in group companies or outside the group. While some Holding Companies’ activities are restricted to holding stakes in investees, others have their own operations and investment portfolios as well.

Holding Companies can make investments in Equity, Debt, or Other Instruments.

- **Equity Investments** are funds invested in a company by purchasing shares of that company. These could be listed or unlisted.
- **Debt Investments** are fixed-return investments in which an investor lends money to a firm or project sponsor with the expectation that the borrower will pay back the investment with interest.
- **Other Investments** refer to all investments not classified in equity and debt instruments.

Holding Companies

Investment Strategies

- Broadly speaking, Holding Companies can be classified into two categories based on their underlying structure, Investment Holding Companies and Operational Holding Companies.
- Following are the various types of investment portfolios of Holding Companies:

Core

These are investments where the Holding Company has operational control, and they are considered an essential part of the Holding Company or the Group. These investments are typically seen as long-term and integral to the Holding Company's overall strategy, and it is very unlikely that the Holding Company would divest these assets. Financial stress on core investments would have a significant impact on the Holding Company credit profile.

Strategic

These comprise investments that are more liquid and can be easily converted into cash. Marketability is a key factor for these assets as they provide a cushion for generating urgent cash in times of stress. These investments might include listed equity stakes or other assets that can be sold in the market. However, even listed assets can sometimes be difficult to liquidate quickly.

Trading

These comprise listed equity stakes held in other companies classified as 'Available for Sale' and/or 'Held for Trading'. These investments are least integrated and are held primarily with the intention of deriving trading income. The key risks involved here are liquidity and market risks.

Operations

These are treated as core business. These are embedded in the legal structure of the entity, offering full ownership with complete operational control. Major resource allocation is involved in operations and their management. Financial stress on operations can create a significant drag on the overall credit profile.

Holding Companies

Local | Snapshot

- The size of the Holding Companies is gauged by their investment book, primarily because their mainstream business concerns managing investment portfolios and earning returns on these investments.
- Holding Companies generally have diverse investment portfolios depending on their investment policy and are protected against losses accrued by subsidiaries. Many Holding Companies have significant investments in tradable short-term securities, which reflect their liquidity profile.
- PACRA rates 12 Holding Companies with total investments amounting to PKR~604bn (SPLY: PKR~576bn), up ~4.9% YoY in 3MCY26. Total investments stood at PKR~597bn as at End-CY25 (CY24: PKR ~395bn), up ~51.3% YoY.
- A large proportion of these investments in CY25 comprised equity stakes (91.2%), which are further classified into core, strategic, and trading categories. This number ~83.1% in CY24. Meanwhile, ~2.9% of the sector’s investment book pertained to debt securities in CY25 (CY24: ~6.9%).
- In terms of total assets, the sector’s market size stood at PKR ~626bn in CY25 (CY24: PKR ~418bn), a ~49.7% YoY increase. This significant expansion is attributable to concentrated portfolio activity at the sector's largest entities, most notably Hub Power Holdings and Engro Holdings. Companies acquired stakes in new entities during the period, which enlarged the sector’s investment book.

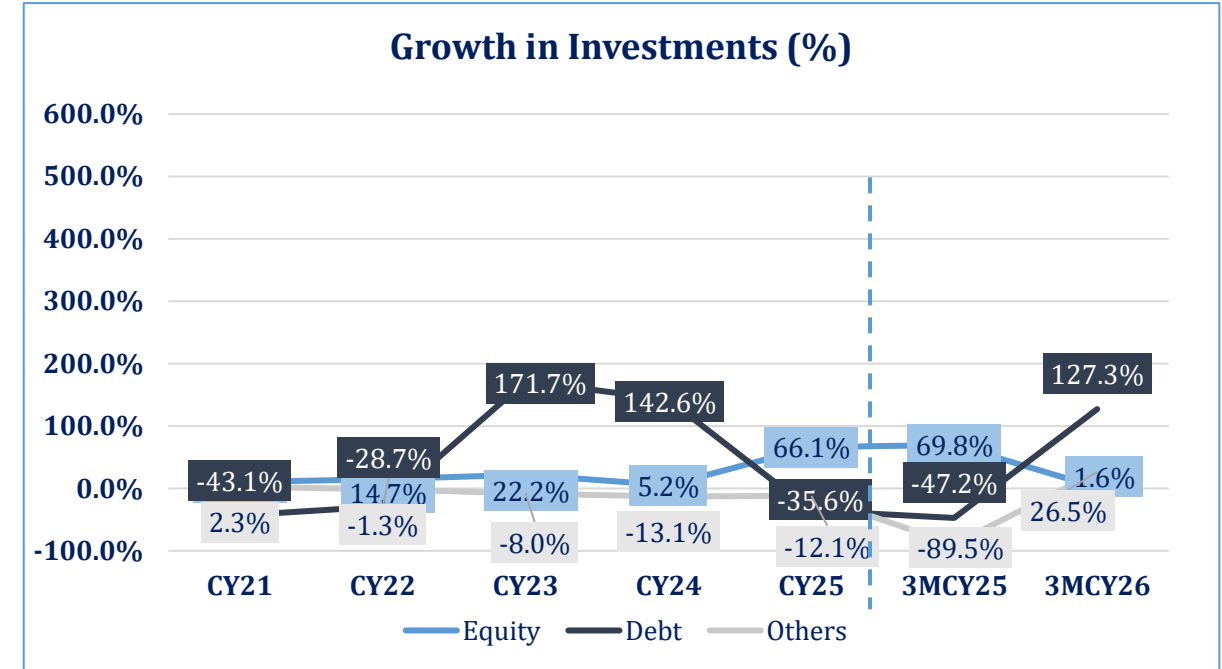
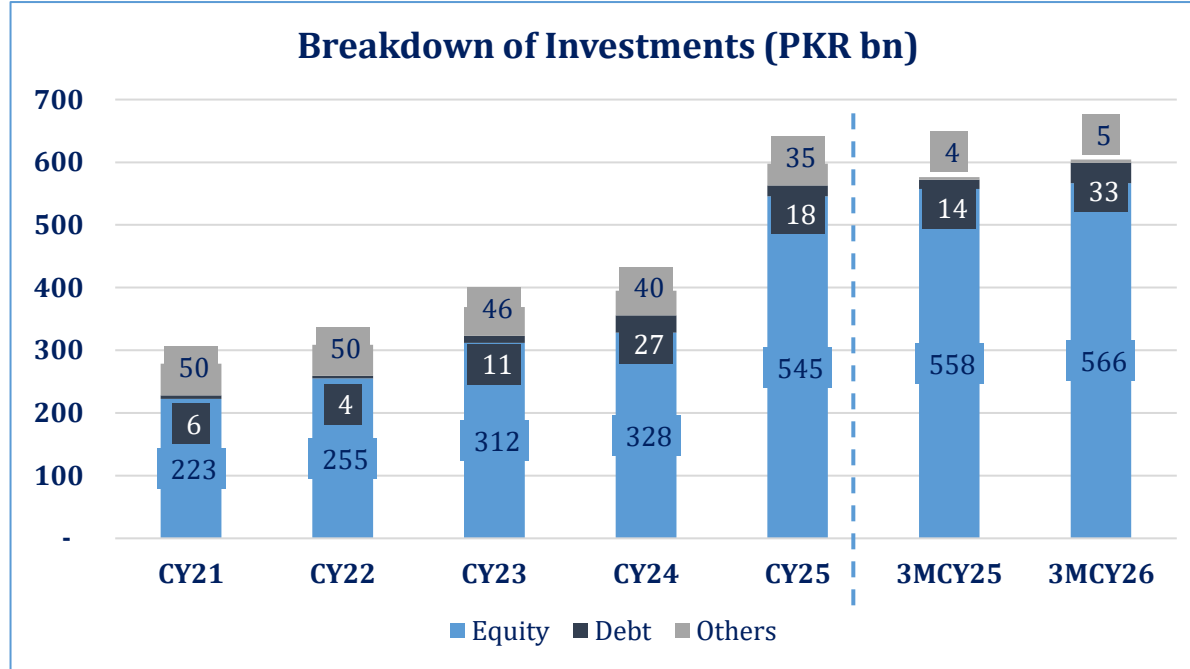
Figures in PKR bn

Particulars	CY23	CY24	CY25	3MCY26
No. of Rated Players	12			
Total Assets	383	418	626	631
Total Investments	369	395	597	604
<i>Equity Investments</i>	<i>312</i>	<i>328</i>	<i>545</i>	<i>566</i>
<i>Debt Investments</i>	<i>11</i>	<i>27</i>	<i>18</i>	<i>33</i>
<i>Others</i>	<i>46</i>	<i>40</i>	<i>35</i>	<i>5</i>
Sector Structure	Oligopoly			
Regulator	Securities & Exchange Commission of Pakistan (SECP)			

Note: The investment figures presented are recorded at book value. Given the substantial equity holdings in listed entities, significant Mark-to-Market (MtM) gains exists

Holding Companies

Local | Investments Portfolio

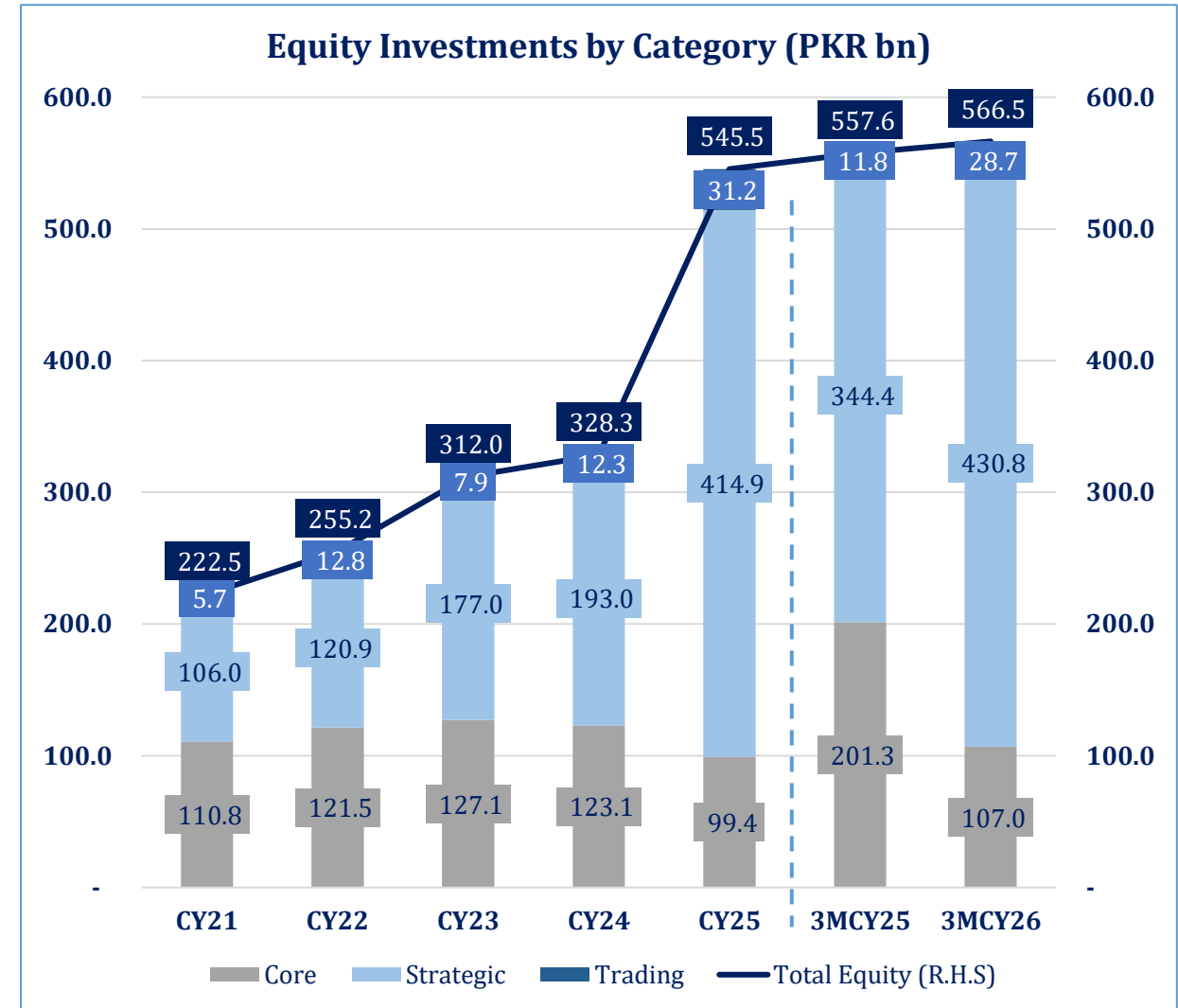


- For 3MCY26, aggregate investments of the sector were registered at PKR ~604bn (SPLY: ~576bn), estimated to have risen by ~4.9% YoY. The more-than-usual increase in investment has been driven by the restructuring of Engro Corporation Limited and Engro Holding Company Limited. In addition, 723 million new shares were issued after the Engro Corporation delisting. In 3MCY26, equity investments continue to grow, registering at PKR ~566bn (SPLY: ~PKR 558bn), with debt investments at PKR ~33bn (SPLY: PKR ~14bn) while other investments held a small share in the investment pool, nearly about PKR ~5bn (SPLY: PKR ~4bn)
- In CY25, aggregate investments of the sector were registered at PKR ~597bn (CY24: PKR ~395bn), increasing by ~51.3% YoY. Equity investments grew by ~66.1% YoY and recorded at PKR ~545bn (CY24: PKR~328bn). On the other hand, debt investments were down ~35.6% YoY and clocked in at PKR~18bn in CY25 (CY24: PKR~27bn).

Holding Companies

Local | Investments Breakdown

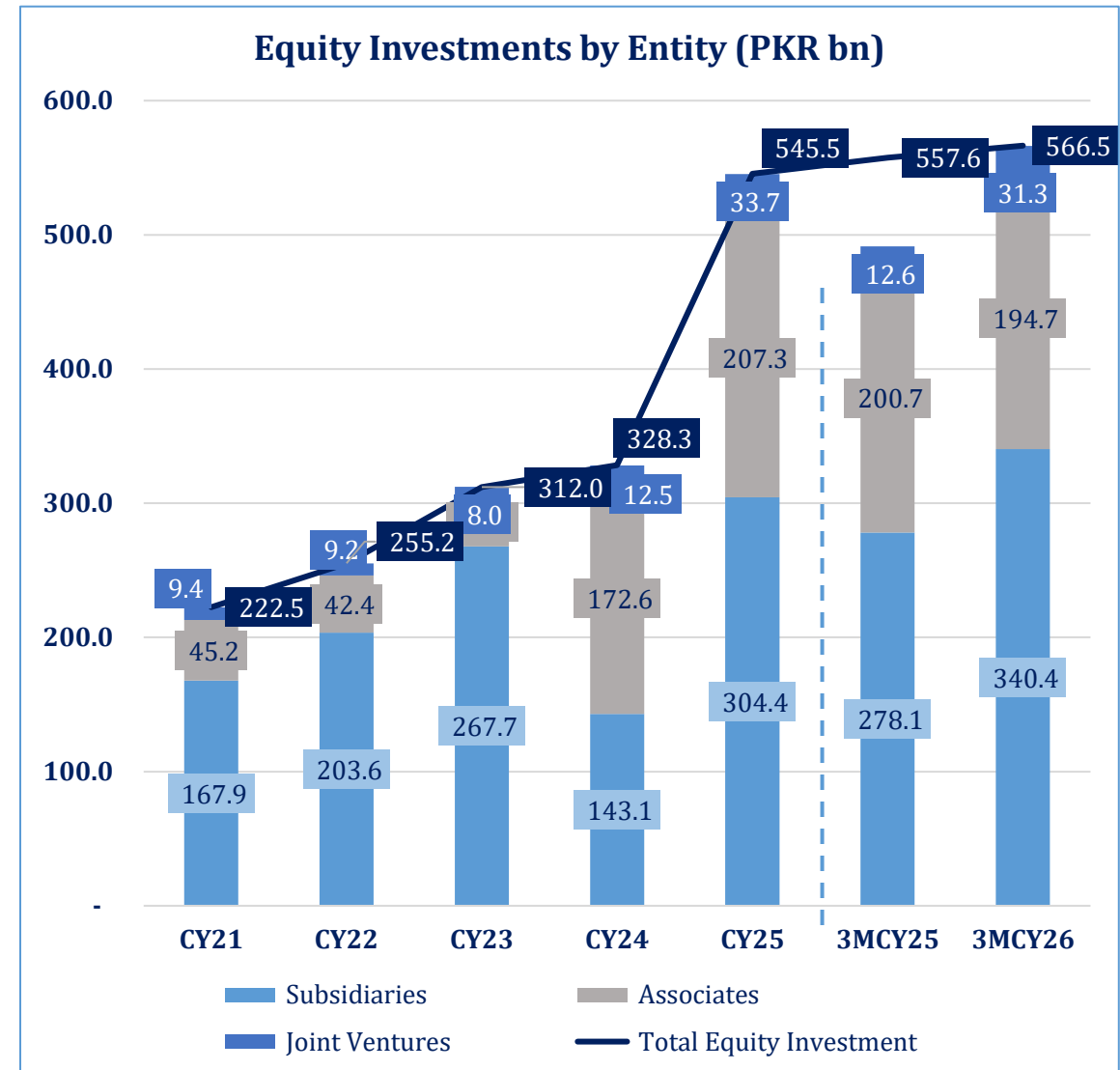
- The investment portfolio has undergone a meaningful structural shift, moving away from government bonds, and focusing more on strategic investments to adapt to changing market conditions and interest rates.
- In 3MCY26, Core investments declined to PKR ~107.0bn from PKR ~201.3bn in 3MCY25, a sharp ~46.8% contraction on a quarterly comparable basis. This likely reflects portfolio rebalancing as returns varied. Meanwhile, strategic investments jumped ~25.1% to around PKR ~430.8bn (SPLY: PKR ~344.4bn), driven by fresh capital deployed into existing subsidiaries as well as the acquisition of new ones.
- Core investments declined ~19.3% in CY25 to PKR ~99.4bn (CY24: PKR ~123.1bn). This contraction is consistent with the broader sector trend of reducing exposure to lower-yielding government securities as interest rate expectations evolved through the cycle. Strategic investments, in contrast, posted a remarkable ~115% surge to PKR ~414.9bn in CY25 (CY24: PKR ~193.0bn). With trading investments at PKR 31.2bn (CY24: ~PKR 12.3bn), depicting an increase of 154.2%.



Holding Companies

Local | Investments Breakdown

- In 3MCY26, subsidiaries made up the bigger portion of equity investments, registering at PKR ~340.4bn (SPLY: PKR ~278.1bn) Investments in associates declined by 3.0% to register at PKR ~194.7bn (SPLY: PKR ~200.7bn).
- In CY25, The sector's equity investments stood at PKR ~545.5bn (CY24: PKR~328.3bn). Subsidiaries were the standout performer, more than doubling with a 112.7% increase to PKR 304.4bn (CY24: PKR 143.1bn). Subsidiaries accounted for around 55.8% of total equity investments in CY25 compared to around 43.6% in CY24. This growth stems from Engro expanding its portfolio with new subsidiaries, alongside Mega Conglomerate's investments in Mega Motor Company (Pvt.) Limited, which boosted the company's presence in the automotive industry.
- Investments in associates continued to build on their CY24 baseline, expanding by another 20.1% to reach PKR ~207.3bn in CY25 (CY24: PKR ~172.6bn). However, this segment now commands a smaller portion of the overall portfolio, making up ~38.0% of total equity investments(SPLY: ~52.6%) Meanwhile, joint ventures though remaining the smallest segment achieved the sharpest YoY surge at ~ 169.6%, climbing from PKR ~12.5bn in CY24 to PKR ~33.7bn in CY25. This shift highlights that co-investment partnerships are playing a much more prominent role in the holding company's broader capital allocation strategy.



Holding Companies

Total Assets | Player-wise

- In 3MCY26, Hub Power Holdings, Engro Holdings, Packages Limited and DEL collectively accounted for ~78.1% of sector assets. Total assets stood at PKR ~631.0bn, up ~10.6% YoY from PKR ~570.5bn in 3MCY25.
- Total assets of the sector increased by ~49.5% YoY to reach PKR~626.2bn (CY24: PKR ~418.9) in CY25. Hub Power and Engro Holding accounted for ~58.1% of the sector's total assets, while the remaining companies contributed ~42.1%.
- A corporate restructuring in CY25 resulted in Engro Corporation Limited becoming a wholly owned subsidiary of Engro Holdings Limited. The transaction was executed, where Engro Corp shareholders received Engro Holdings' shares for each share they held. This process, which involved Engro Holdings issuing around 722.9 million new shares, significantly increased the company's consolidated asset base.
- The CY25 asset surge was heavily influenced by the Engro corporate restructuring, which alone accounts for a large portion of the sector's PKR 207.3bn incremental asset growth.

Asset Size (PKR bn)	CY24	Share in Total	CY25	Share in Total	3MCY26	Share in Total
Hub Power Holdings Limited	154.5	36.9%	195.3	31.2%	199.3	31.6%
Engro Holding Limited	40.3	9.6%	167.1	26.7%	166.9	26.5%
Packages Limited	67.1	16.0%	80.1	12.8%	79.6	12.6%
Jahangir Siddiqui & Co Limited	34.3	8.2%	36.8	5.9%	33.1	5.2%
IGI Holdings Limited	16.1	3.8%	18.9	3.0%	19.0	3.0%
TPL Corp Limited	10.7	2.6%	10.1	1.6%	8.6	1.4%
Ghani Global Holdings Limited	3.9	0.9%	4.1	0.6%	4.1	0.6%
Others*	92.0	22.0%	113.9	18.2%	120.5	19.1%
Total Assets	418.9	100.0%	626.3	100%	631.1	100.0%

Holding Companies

Total Investments | Player-wise

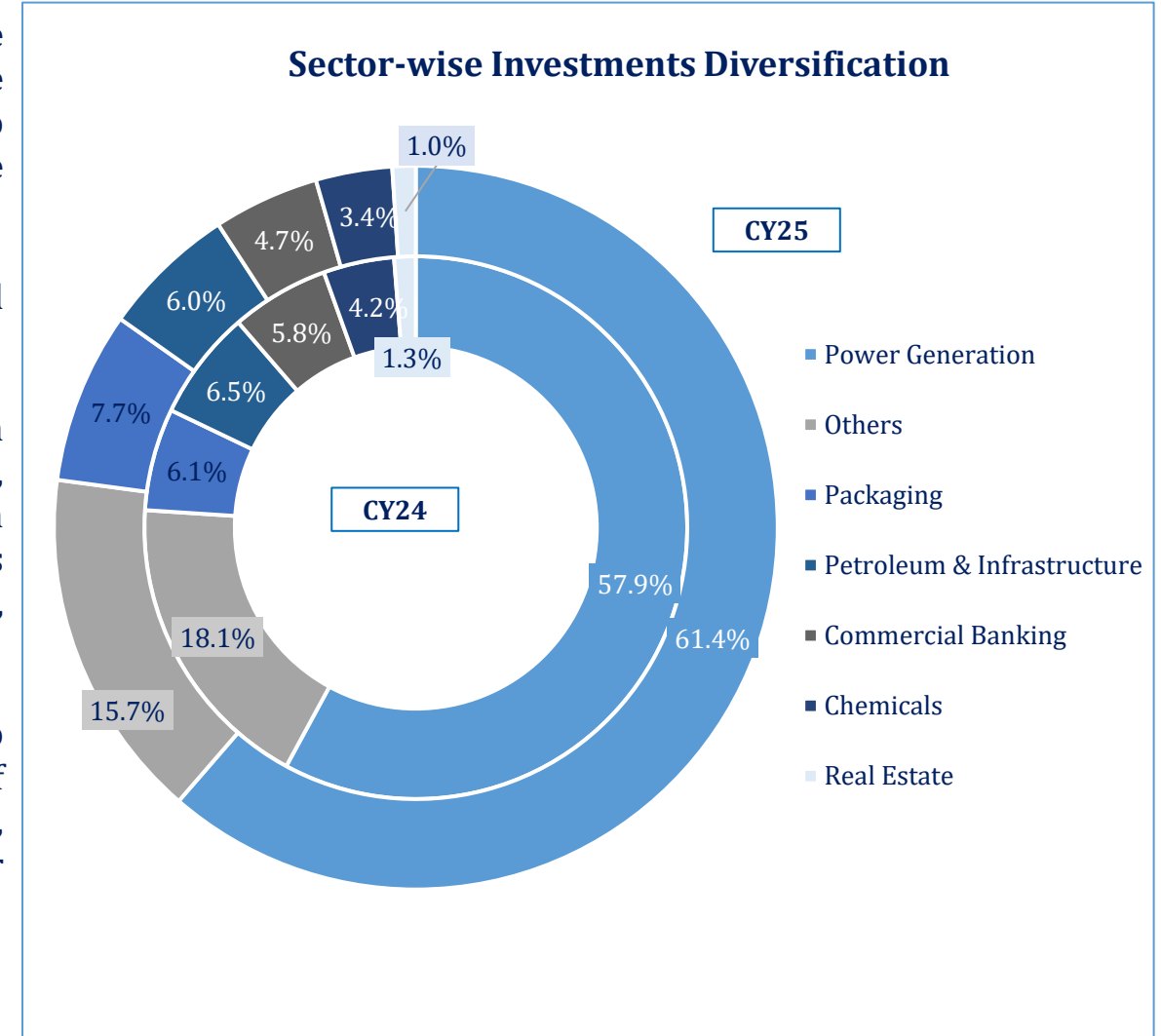
- In terms of market share in investments, in 3MCY26, Hub Power, Engro, Packages, DEL dominate the market share. In CY25, Hub Power had total investments of PKR ~192.9bn, forming ~32.3% of total sector investments at market value (CY24: PKR~148.3bn). This was followed by Engro Holdings with ~27.9% share during the year and investments amounting to PKR~167.0bn (CY24: PKR~39.8bn).
- In CY25, Engro Holdings underwent significant asset expansion driven by the consolidation of Engro Corporation as a wholly owned subsidiary and the acquisition of Deodar's telecom tower portfolio.
- The size of the investment book of a Holding Company depicts the size of the respective conglomerate's business, seeing as the sector's investments are predominantly deployed in subsidiaries. Hub Power has a diversified equity portfolio in Power Generation & Coal Mining. Packages Limited has expanded its holding company asset base through strategic acquisitions, including exposure to pharmaceuticals via Hoechst, along with investments in paper and packaging subsidiaries.

Total Investments (PKR bn)	CY24	Share in Total	CY25	Share in Total	3MCY26	Share in Total
Hub Power Holdings Limited	148.3	37.5%	192.9	32.3%	195.3	32.3%
Engro Holding Limited	39.8	10.1%	167	27.9%	166.9	27.6%
Packages Limited	59.6	15.1%	71	11.9%	71.1	11.8%
Jahangir Siddiqui & Co Limited	30.4	7.7%	31.5	5.3%	30.3	5.0%
IGI Holdings Limited	15.7	4.0%	18.5	3.1%	18.5	3.1%
TPL Corp Limited	10.3	2.6%	9.6	1.6%	8.2	1.4%
Ghani Global Holdings Limited	3.6	0.9%	3.6	0.6%	3.6	0.6%
Others*	87.5	22.1%	104.0	17.4%	110.6	18.3%
Total Investments	395.2	100.0%	598.1	100.0%	604.5	100%

Holding Companies

Business Risk | Investment Diversification

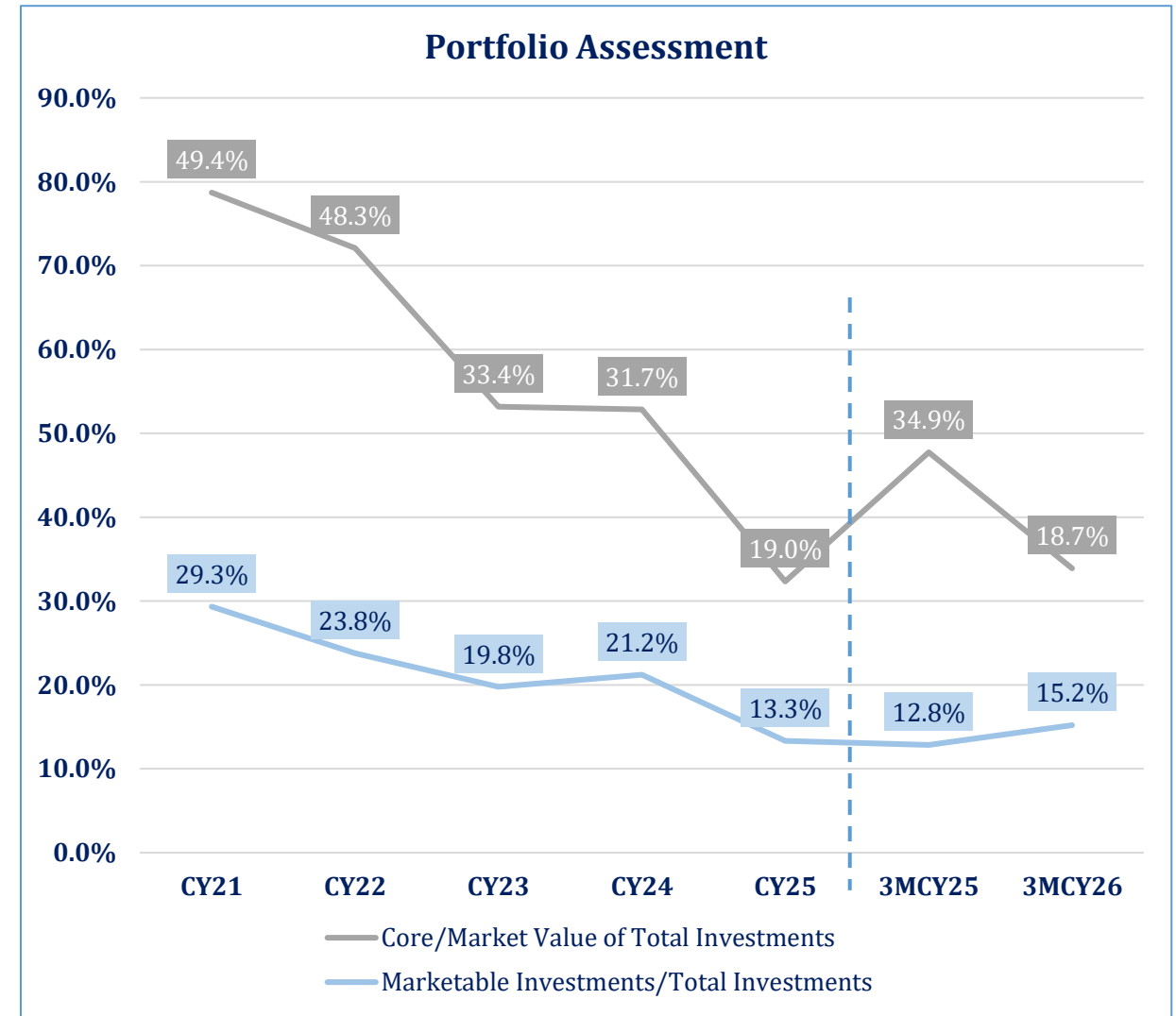
- The business risk of Holding Companies is correlated with the performance of their investments. The performance of investments can be evaluated in numerous ways; however, the two key factors used to determine the investment quality (covered in this report) are **‘Diversification’** and **‘Portfolio Assessment’**.
- Measuring diversification of the investments helps in evaluating the level of concentration Holding Companies have in a particular sector.
- Considering the portfolios of top four listed players of the sector, which account for ~78.1% of the sector’s investments in CY25 (CY24: ~71.8%), the concentration of overall investments comprised power generation (~61.4%) and “Others” (~15.7%), with the latter including various sectors such as Packaging, Commercial Banking, Chemicals, Real Estate, Petroleum and Infrastructure, to name a few.
- On an absolute basis, power-sector investments in the assessed portfolio stood at PKR ~178bn, up ~30.9% YoY. The corporate restructuring of Engro has also resulted in a diversified portfolio spanning power, LNG, petrochemicals, fertilizers, and telecom, creating a massive, multi-sector industrial powerhouse.



Holding Companies

Business Risk | Portfolio Assessment

- Portfolio assessment serves as a useful tool to see how Core and other investments are performing against the market value of total investments, in case these are listed.
- Core investments are long-term investments where the Holding company has operational control. They are integral to the company's strategy and unlikely to be divested.
- Marketable investments are more liquid assets that can be easily converted to cash, providing a cushion in times of financial stress. They typically include listed equity stakes or other marketable assets.
- In 3MCY26, core investments accounted for ~18.7% of total investments, compared to ~34.9% in SPLY. In CY25, core investments accounted for ~19.0% of total investments, compared to ~31.7% in CY24, while marketable investments accounted for ~13.3% of total investments (CY24: ~21.2%).
- A Holding Company may be unwilling and/or unable to liquidate core and strategic investments as their divesture may hold strategic importance and/or carry reputational risk. On the other hand, portfolios dominated by non-strategic investments can carry significant price risk. The ideal mix is a well-balanced portfolio.

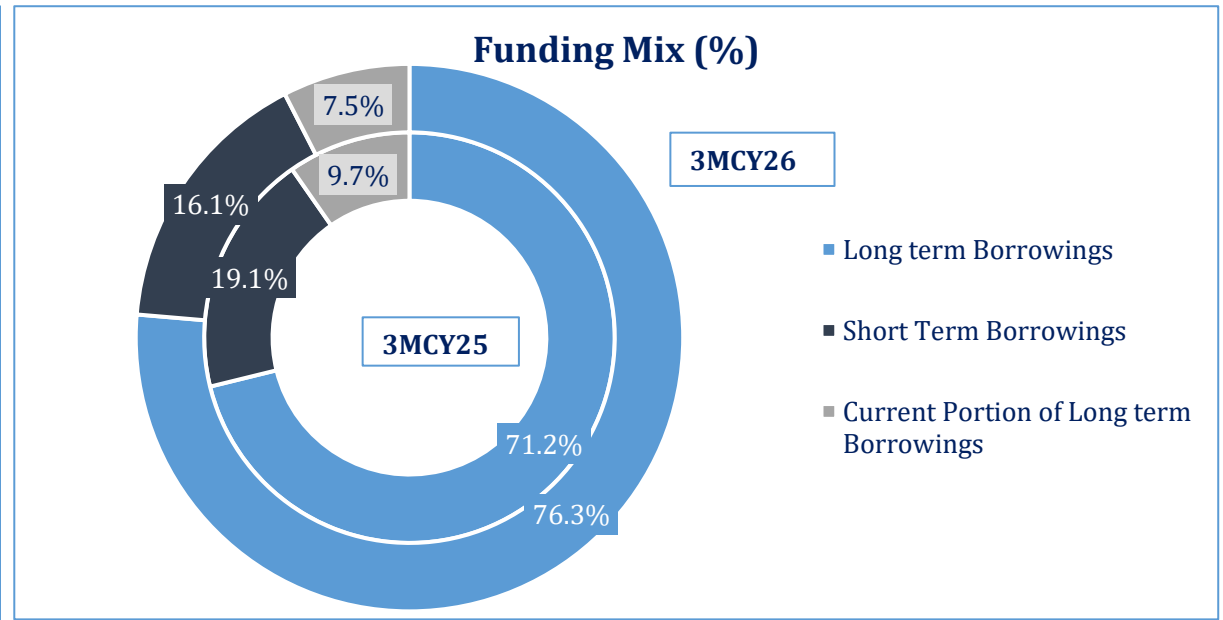
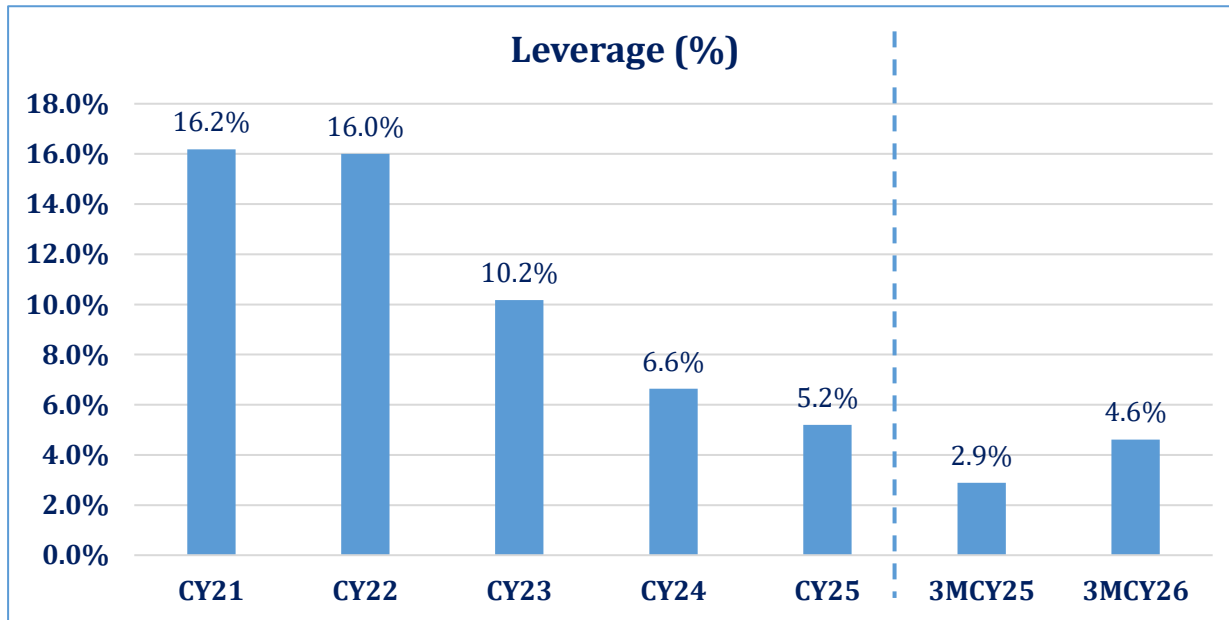


Note: Data is based on PACRA-rated clients.

Holding Companies

Financial Risk | Borrowings

- Holding companies carry minimal financial risk because they are primarily funded by shareholders rather than external debt. Instead of borrowing, they use this equity to make long-term, strategic investments in their core subsidiaries. As the wider industry continuously cuts back on debt, Holding Companies stand out even more. Their low-leverage approach protects their credit profiles while providing the financial agility needed to deploy capital quickly when opportunities arise.
- In 3MCY26, the sector optimized its debt maturity profile, shifting towards long-term borrowings that make up ~76.3% of total borrowings (SPLY: ~71.2%), In 3MCY26, average leverage increased to ~4.6% from ~2.9% in SPLY, though it remained below CY25 levels, reflecting a conservative approach as equity remained the primary source of funding. Leveraging of the sector declined to ~5.2% in CY25 (CY24:6.6%), while total borrowings also increased by ~23.1%, this growth was heavily outpaced by the massive expansion of the equity base.



Note: Data is based on PACRA-rated clients.

Holding Companies

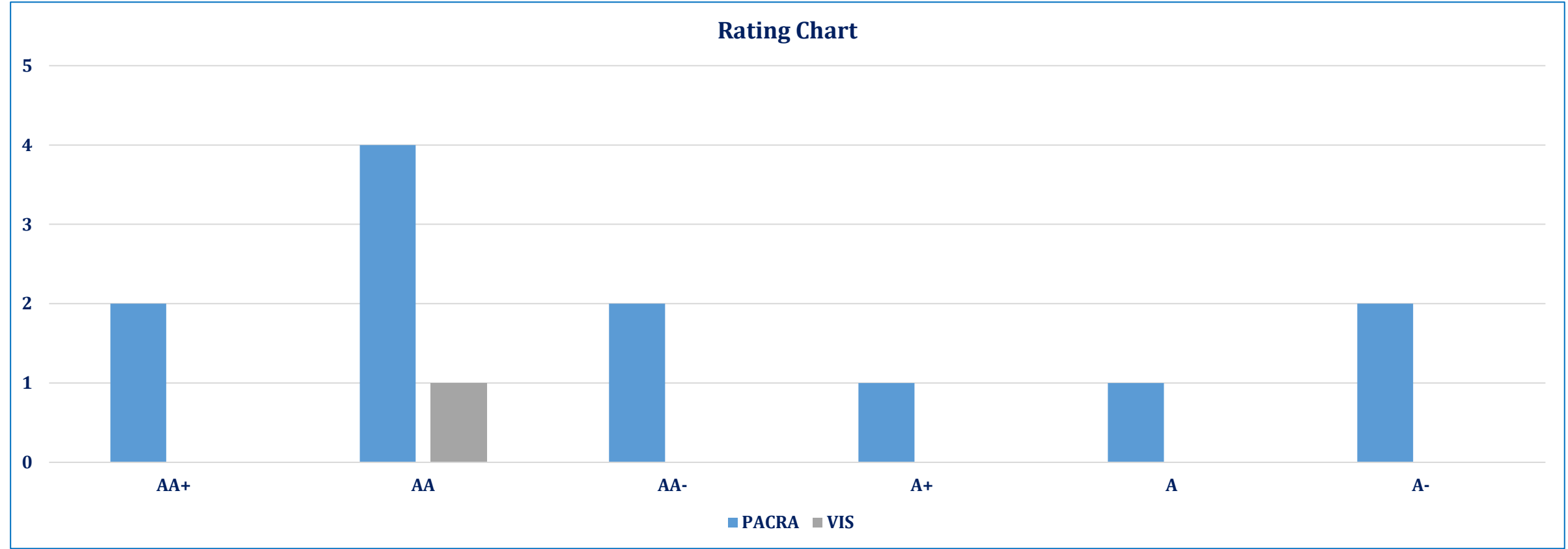
Regulatory Framework

- The SECP is the primary regulatory body overseeing corporate governance, ensuring that Holding companies adhere to legal and regulatory standards. SECP is responsible for registration, compliance, and monitoring of corporate activities, including mergers and acquisitions.
- The Securities and Exchange Commission of Pakistan (SECP) has implemented the Group Companies Registration Regulations, 2008 to provide a regulatory framework for the formation of group companies, comprising a Holding company and its subsidiaries.
- The Commission registers the Holding company and its subsidiary companies as a Group in the prescribed form.
- The Commission is also empowered to cancel the registration of the group if any company within the group fails to comply with the requirements of the Regulations or any direction given by the Commission.
- After registration of the group, a Holding company ensures that the group follows the requirements of the Code of Corporate Governance, International Financial Reporting Standards as applicable in Pakistan, and that transactions by any company within the Group with its associated companies and associated undertakings are carried out and recorded on an arm's length basis.
- The Regulations also facilitate streamlining of the group ownership structures and consolidation of the present complicated cross-company ownership to make the corporate sector internationally competitive.
- Surrender of tax losses between eligible group companies is allowed since 2007. The provisions allow both Holding and subsidiary company within the group to surrender their respective losses.

Holding Companies

Rating Chart

- PACRA rates 12 entities in the Holding Companies sector. Rating Bandwidth of the sector ranges from AA+ to A-.



Holding Companies

SWOT Analysis

- Diversified portfolio spreads risk across sectors, reducing reliance on any single business.
- Capital allocated to the highest-return subsidiaries, maximizing group-wide efficiency.
- Losses in one subsidiary are offset by profits in others.

Strengths

Weaknesses

- Still a nascent trend and wide acceptance remain low
- Complex shareholding and family holdings making it difficult to form Holding Companies
- Compliance costs
- Dependency on subsidiary companies

- Economic downturns impact on multiple subsidiaries
- Market competition
- Geopolitical risks affecting investment flow
- Stagnant investing activity

Threats

Opportunities

- Innovation & diversification in high profit markets
- Mergers & Acquisitions to unlock significant saving streams
- Global expansion & Remittance Leverage
- Digitalization & AI Integration to upscale operations
- Key partnerships with regional players

Holding Companies

Outlook: Stable

- Pakistan's real GDP stood at PKR ~41.0tn in FY25, expanding 3.2% YoY (FY24: 2.6%), with momentum continuing into FY26 as 3QFY26 GDP registered at PKR ~31.8tn. However, the capital markets have faced headwinds from global geopolitical tensions, profit-taking, and a 100bps policy rate hike to 11.5% in April 2026 as inflation increased due to higher international oil prices. The prevailing operating environment has created uncertainty in the short-term with tightening monetary conditions, equity market volatility, and eventual impact on GDP growth. This poses challenges for Holding Companies heading into the remainder of CY26.
- The sector continued its asset base growth in 3MCY26, however, the pace of expansion slowed down, with total assets edging up to PKR ~631.0bn and total investments to PKR ~604bn a more measured ~4.9% YoY increase (consistent with a post-restructuring normalization phase. Hub Power Holdings and Engro Holdings together accounted for ~58.1% of total sector assets in 3MCY26.
- In CY25, with total assets surged to ~49.7% YoY to PKR ~626.2bn (CY24: PKR ~418.9bn) and total investments rose to ~51.3% YoY to PKR ~597bn (CY24: PKR ~395bn). This outsized growth was predominantly driven by the corporate restructuring of Engro Corporation Limited into Engro Holdings Limited, significantly enlarging the sector's aggregate investment and asset base in a single event.
- The sector's investment portfolio has also undergone a meaningful structural shift moving away from core investments toward strategic investments to adapt to changing market conditions and interest rates. Strategic investments jumped ~25.1% to PKR ~430.8bn in 3MCY26 (SPLY: PKR ~344.4bn) and surged ~115% in CY25 to PKR ~414.9bn (CY24: PKR ~193.0bn), while core investments contracted ~46.8% on a quarterly comparable basis, consistent with the broader trend of reducing exposure to lower returns.
- Power generation remains the dominant sectoral focus at ~61.4% of the assessed investment portfolio in CY25 (CY24: ~57.9%), largely anchored by Hub Power Holdings' diversified power generation and coal mining portfolio. This concentration is a structural feature of the sector rather than a recent development, and represents substantial single-sector exposure.

Holding Companies

Bibliography

- Securities Exchange of Pakistan
- State Bank of Pakistan
- Pakistan Bureau of Statistics
- PACRA Internal Database
- USA Investor Relations
- Companies Act, 2017

Research Team	Aiza Khalid Supervising Senior aiza.khalid@pacra.com	Alizae Bukhari Associate Research Analyst alizae.bukhari@pacra.com
Contact Number: +92 42 35869504		

DISCLAIMER

PACRA has used due care in the preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. The information in this document may be copied or otherwise reproduced, in whole or in part, provided the source is duly acknowledged. The presentation should not be relied upon as professional advice.