



Rating Action

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Analyst

Samiya Mukhtar
(+92-42-35869504)
samiya@pacra.com
www.pacra.com

PACRA maintains Entity and TFC ratings of ORIX Leasing Pakistan Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of ORIX Leasing Pakistan Limited (OLP) at 'AA' (**Double A**), and the short-term rating at 'A1+' (**A one plus**). The ratings for the Term Finance Certificates (TFCs) of PKR 2,500mln, PKR 5,000mln and PKR 1,000mln have also been maintained at 'AA+' (**Double A plus**). These ratings denote a very low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments.

The ratings of OLP reflect its established business profile emanating from its leading position in leasing industry, well-rooted penetration into target market, diverse product portfolio, and good management quality. The ratings also recognize management's initiative interalia, strengthening the role of risk management in underwriting new business, controlling cost structure, and improving profitability. However, impaired portfolio - though reducing - remains a cause of concern. Cognizant of the company's need and subdued economic environment, the management is following a cautious growth strategy with an emphasis on improving its core margins. Nevertheless, the ratings draw comfort from historically demonstrated commitment by ORIX Corporation, Japan towards its operations in Pakistan.

The company: ORIX Leasing Pakistan Limited (OLP), the largest leasing company in the country, commenced operations in 1986. The company has a network of more than 30 offices across Pakistan. OLP's major shareholder, ORIX Corporation, Japan (ORIX), rated A3 by Moody's, having just below 50% shareholding, continues to exercise control through the Board of Directors. ORIX, with a consolidated asset base of over US\$ 104bln as at end-Jun11, has operations in 27 countries and regions. Experienced professionals with majority representation of ORIX Corporation dominate the Board. Mr. Teizoon Kisat, a Chartered Accountant by profession, elevated to the position of CEO lately, has been associated with company for last twelve years. A team of seasoned professionals assists him.

TFCs: The company has issued three secured TFCs - two listed and one privately placed. Listed TFC of PKR 2,500mln was issued in May07 for a tenor of 5 years, at the rate of 6-months KIBOR plus 150bps, payable semi-annually. The principal redemption, in six equal semi-annual installments (PKR 417mln), begun in Nov09. The privately placed TFC of PKR 5,000mln was issued in Jan08 at a profit rate of 6-months KIBOR plus 120bps for a tenor of 5 years, payable in six equal semi-annual installments (PKR 833mln each). The redemption of TFC II started in Jul10. Recently, the company has issued another listed TFC of PKR 1,000mln at a profit rate of 3-months KIBOR plus 215bps for a tenor of 3 years, payable quarterly in arrears. The principal payment would commence from Mar12. All TFC issues are secured by first charge on specific leased assets and associated receivables.

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