SECTOR STUDY . JUNE 2025

Together. Creating Value.

Holding Companies

Research Team

Saniya Tauseef | Senior Manager Research
Ayesha Wajih | Assistant Manager Research
Syed Faran Ahmad | Associate Research Analyst

Holding Companies

Together. Creating Value.

Holding Companies

Global | Introduction

- In developed economies, the concept of establishing ‘Holding Companies’ to form corporate groups is increasing because of the many benefits that the structure offers.
- 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.
- A classic example of a Holding Company is Alphabet Inc. - An American multinational Conglomerate), that was created through 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.

Source: PACRA Database, Companies Act, 2017, USA Investor Relations, Company Websites

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 “HoldCos”) laid out in the Companies Act, 2017.

- PACRA defines HoldCos 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 as well.

HoldCos 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. 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.

Source: PACRA Database

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~477bln as at End-CY24 (CY23: PKR~455bln), up ~4.9% YoY. For 3MCY25*, total investments stood at PKR~156bln (SPLY: PKR~170bln), down ~8.5% YoY.

- A large proportion of these investments in CY24 comprises equity stakes of ~90.5% (CY23: ~79,1%) which are further classified into core, strategic, and trading categories. Meanwhile, ~4.3% of the sector's investment book pertained to debt securities in CY24 (CY23: ~5.9%).

- In terms of total assets, the sector's market size stood at PKR~543bln in CY24 (CY23: PKR~472bln), a ~15.2% YoY increase.

Figures in PKR bln

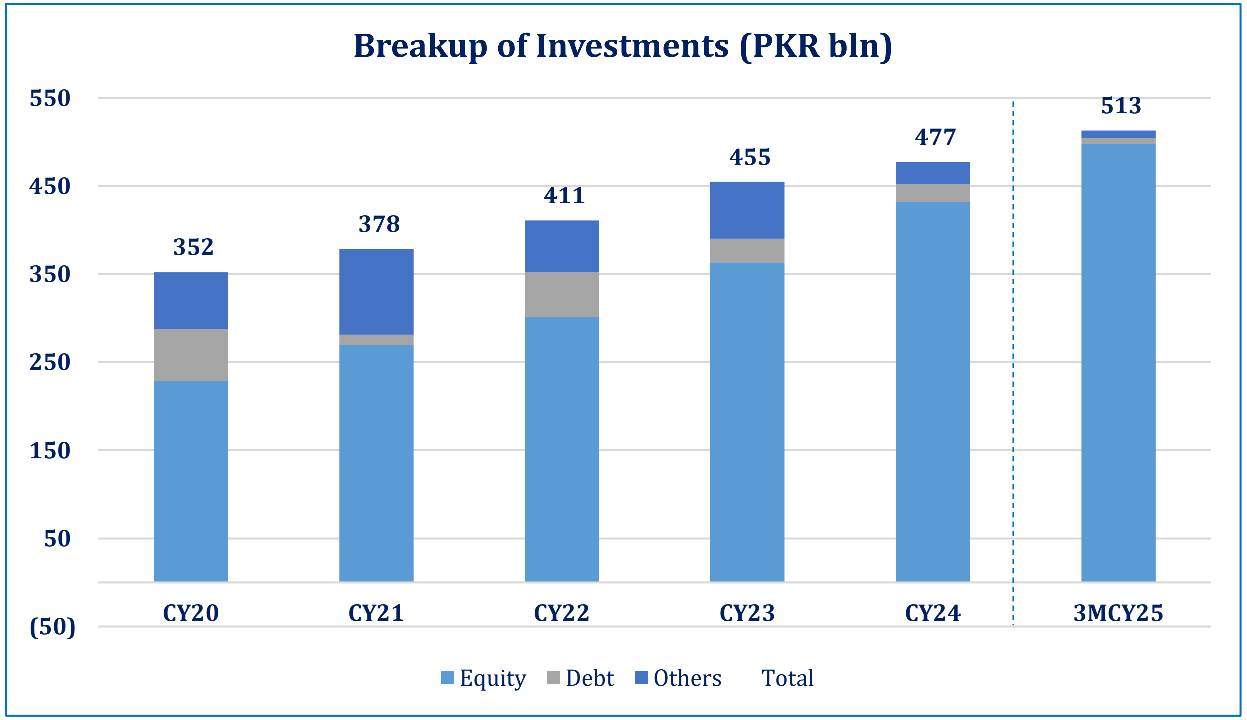
Particulars	CY22	CY23	CY24
No. of Rated Players		12	
Total Assets	**413**	**472**	**543**
Total Investments	**411**	**455**	**477**
Equity Investments	301	359	432
Debt Investments	51	27	21
Others	59	69	25
Sector Structure		Oligopoly	
Regulator		Securities & Exchange Commission of Pakistan (SECP)	

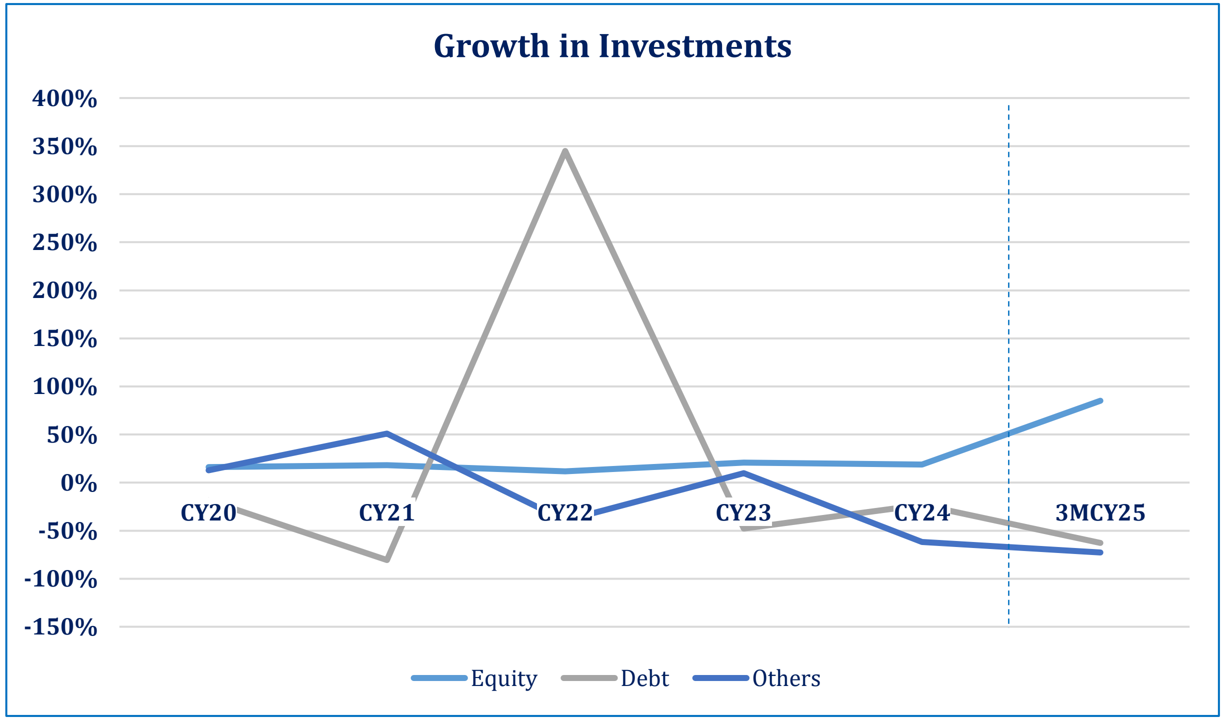
** 3MCY25 data investments is based on 7 rated players.*

Source: PACRA Database

Holding Companies

Local | Investments Portfolio





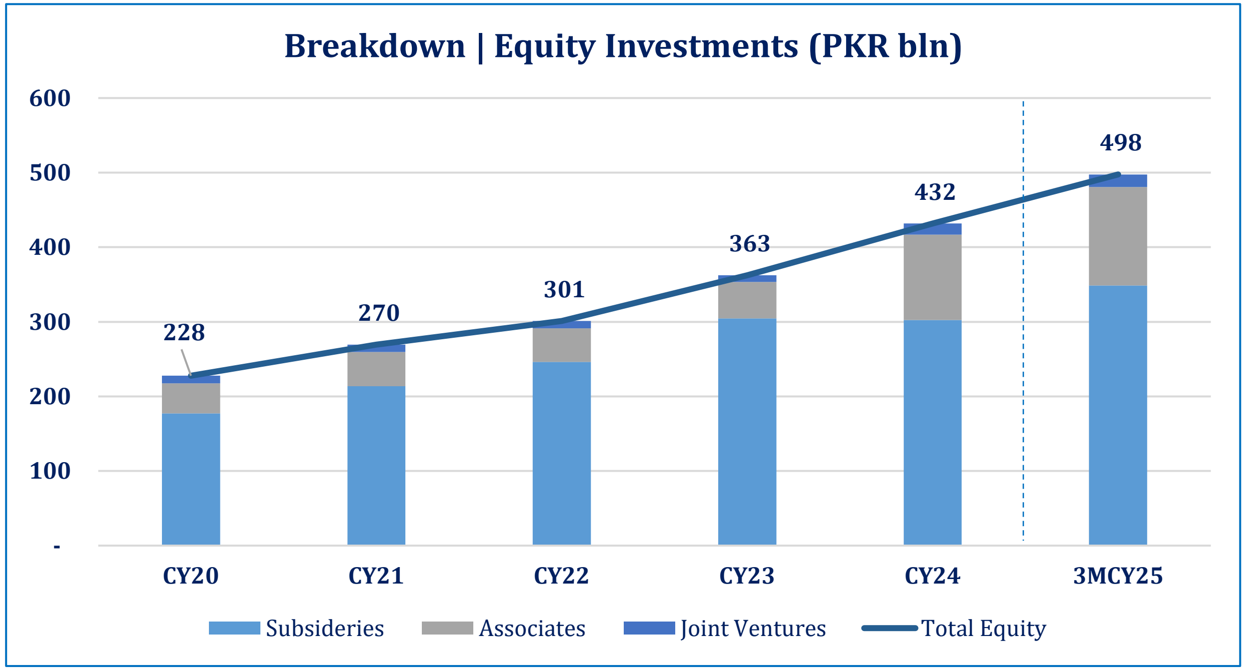
- Aggregate investments of the sector were registered at PKR~477bln in CY24 (CY23: PKR~455bln), increasing by ~4.9% YoY. For 3MCY25*, aggregate investments of the sector were registered at PKR~344bln, in 3 months it has risen ~7.5% QoQ. The more-than-usual increase in investment has been driven by restructuring of Engro Corporation Limited and Engro Holding Company Limited. Engro Holding's investment book has increased by PKR~180bln after the Engro Corporation delisting.
- During CY24, equity investments grew by ~20.1% YoY and recorded at PKR~432bln in CY24 (CY23: PKR~359.4bln). On the other hand, debt investments were down ~23.1% YoY and clocked in at PKR~21bln (CY23: PKR~27bln).

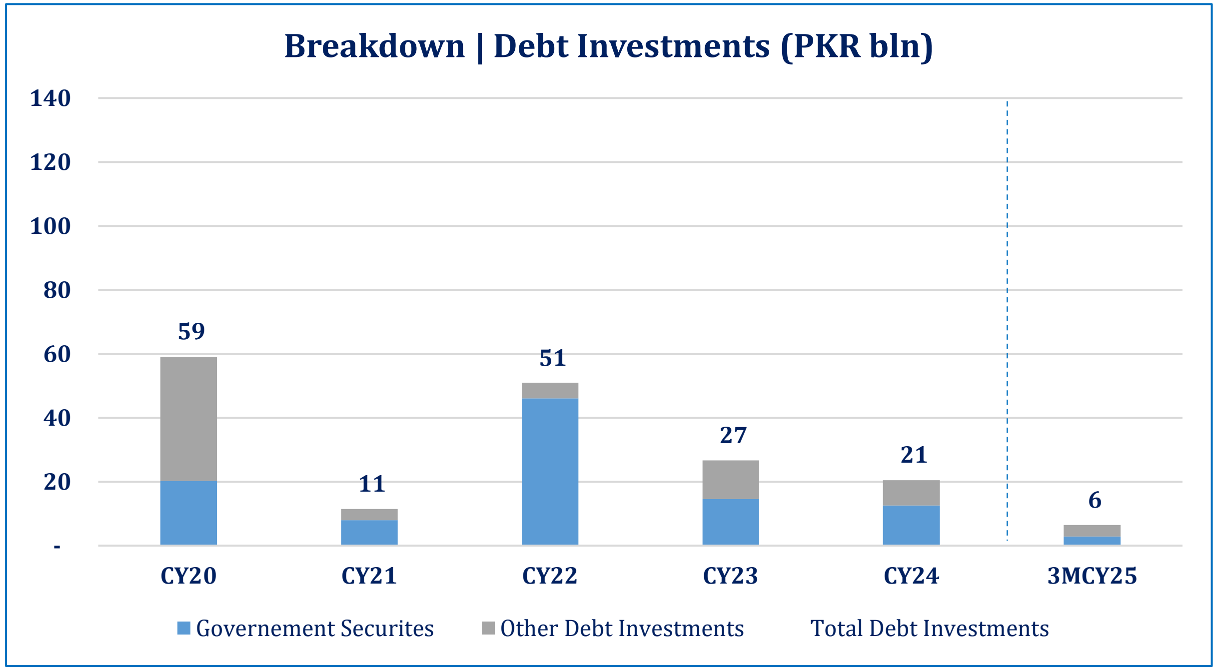
***Note**: Data is based on PACRA-rated clients. The sharp spike in Debt Investments (CY22) was likely due to one rated player with ~18.1% share in the sample based on Total Assets. * 3MCY25 data is estimated on 7 players share data for CY24.*

Source: PACRA Database

Holding Companies

Local | Investments Breakdown





- The sector's equity investments stood at PKR~432bln in CY24 (CY23: PKR~363bln), an increase of ~19.0%. Holding Companies usually operate with strategic investments across various entities, with their own subsidiaries, in which they have controlling interests and decision-making authority, whereas these occupied a share of ~70.0% (PKR~302bln) of the overall equity investments in CY24 (CY23: ~84.0%). Meanwhile, ~26.5% (PKR~115bln) of equity investments were observed to be deployed in associates, while ~3.4% (PKR~15bln) were in joint ventures.
- With respect to debt investments, these clocked in at PKR~21bln in CY24 (CY22: PKR~27bln), down ~23.1% YoY. They comprised ~39.0% government securities which recorded ~14.0% YoY decline (PKR~13bln). Other debt investments (~61.0%) recorded a decline of ~61.0% to close at PKR~8bln, including but not limited to, mutual funds. In 3MCY25*, debt investments stood at PKR~6bln (SPLY: ~17bln), down ~62.7% YoY.

***Note**: 3MCYs data is estimated on 7 players.*

Source: PACRA Database

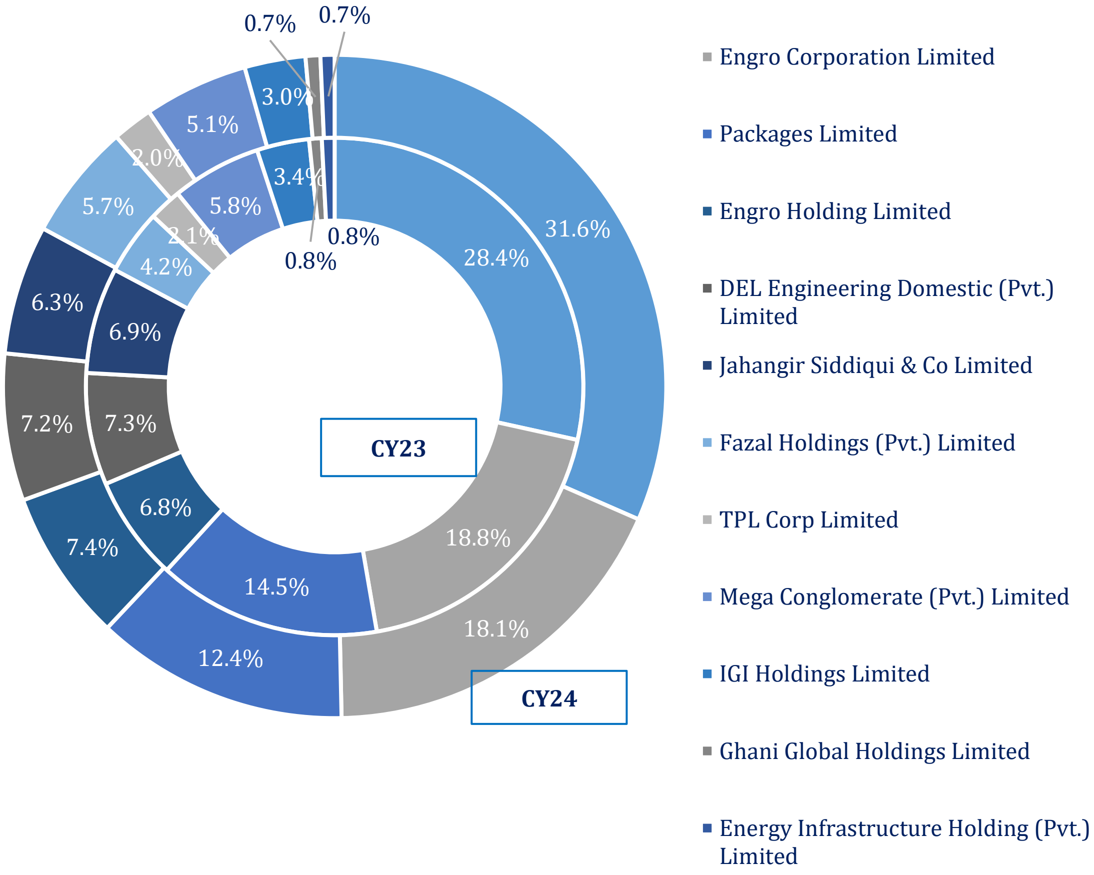
Holding Companies

Total Assets | Player-wise

Asset Size (PKR bln)	CY23	CY24
Hub Power Holdings Limited	134.2	171.5
Engro Corporation Limited	88.8	98.4
Packages Limited	68.4	67.1
DEL Engineering Domestic (Pvt.) Limited	32.1	40.3
Jahangir Siddiqui & Co Limited	34.3	38.9
Engro Holding Limited	32.5	34.3
Mega Conglomerate (Pvt.) Limited	19.9	30.8
Fazal Holdings (Pvt.) Limited	10.1	10.7
IGI Holdings Limited	27.5	27.6
TPL Corp Limited	16.0	16.1
Ghani Global Holdings Limited	3.9	3.9
Energy Infrastructure Holding	3.9	3.7
Total Assets	**471.6**	**543.4**

- Total assets of the sector increased by ~15.2% YoY to reach PKR~543bln. It follows from the previous section that the major portion of the sector's assets comprise its investments at ~79.4% (CY23: ~79.9%), with a smaller share of other operating assets.
- In CY24, ~31.6% of the sector's total assets were accounted for by Hub Power, with Engro Corp. being the next at ~18.1%, while ~12.4% of sector's total assets were recorded with Packages Limited during the year.

Player-wise Asset Share



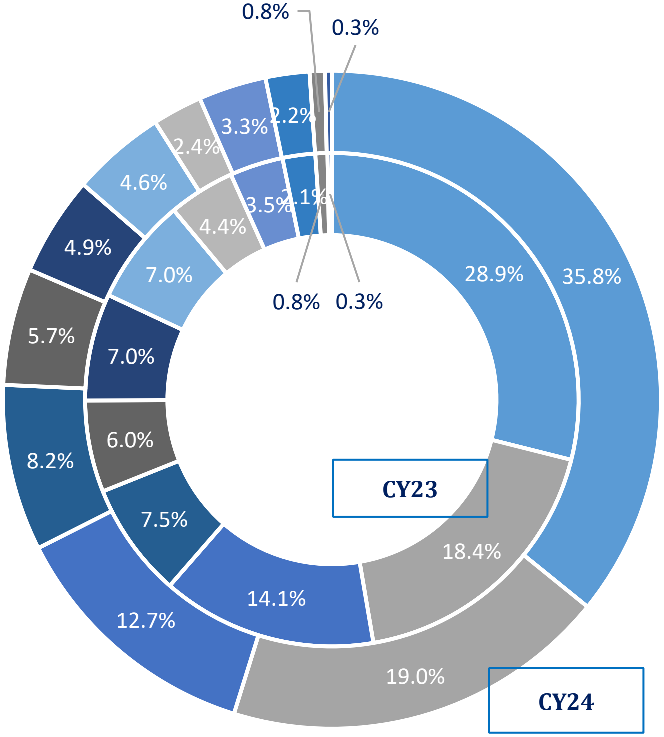
Holding Companies

Local | Player-wise Investments

Total Investments (PKR bln)	CY23	CY24
Hub Power Holdings Limited	131.5	170.9
Engro Corporation Limited	83.6	90.5
Packages Limited	64.1	60.7
DEL Engineering Domestic (Pvt.) Limited	34.2	38.9
Engro Holding Limited	27.3	27.4
Jahangir Siddiqui & Co Limited	31.9	23.3
Mega Conglomerate (Pvt.) Limited	31.7	22.0
Fazal Holdings (Pvt.) Limited	19.8	11.7
IGI Holdings Limited	15.9	15.9
TPL Corp Limited	9.7	10.3
Ghani Global Holdings Limited	3.6	3.6
Energy Infrastructure Holding (Pvt.) Limited	1.3	1.6
Total Investments	**454.6**	**476.8**

- In terms of market share in investments, Hub Power formed ~35.8% of total investments at market value in CY24, recording at PKR~171bln. (CY23: PKR~132bln). It was followed by Engro Corp., with ~19.0% share during the year and investments amounting to PKR~90bln (CY23: PKR~84bln).
- 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 pre-dominantly deployed in subsidiaries. Hub Power has a diversified equity portfolio in Power Generation & Coal Mining.

Player-wise Investments Share



***Note**: Data is based on PACRA-rated clients.*

Source: PACRA Database

Holding Companies

Business Risk | Investment Diversification

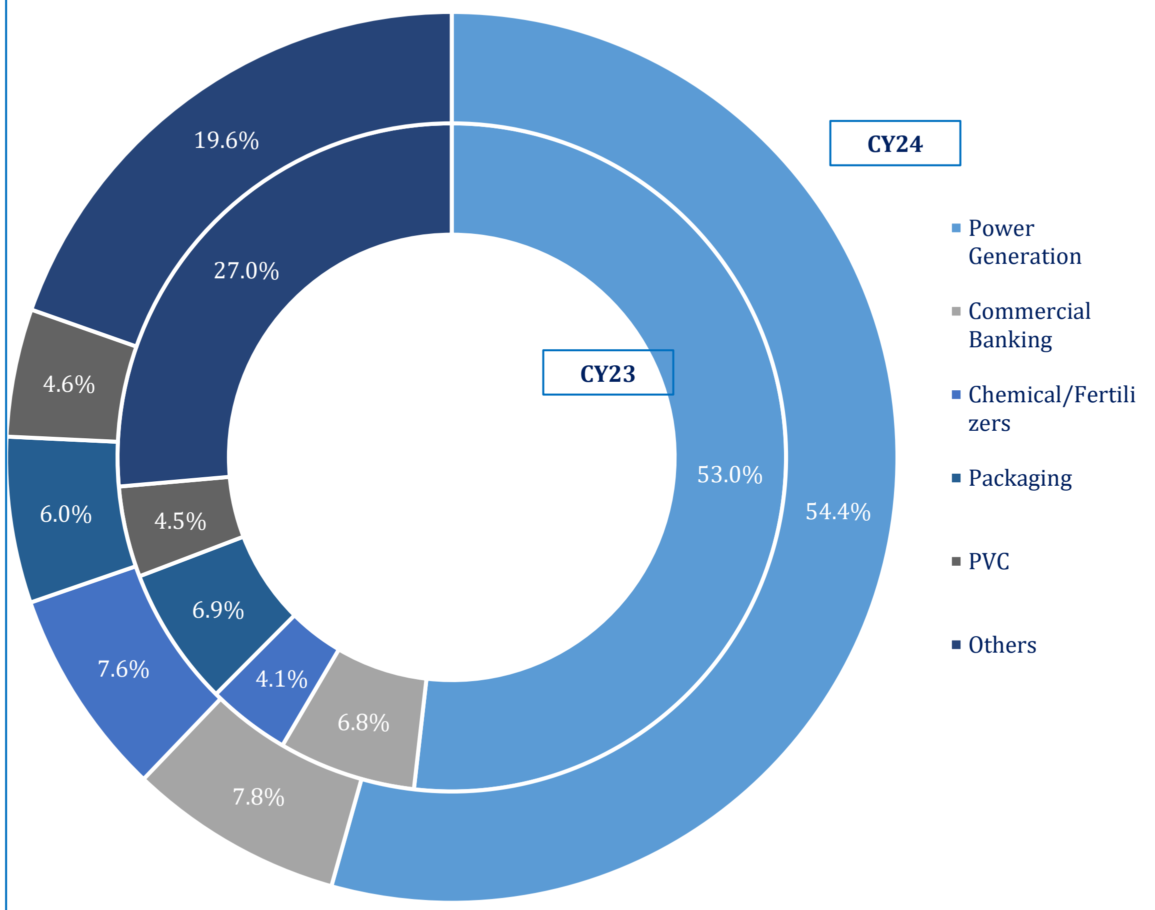
- The business risk of Holding Companies is correlated with the performance of their investments. The performance of investments can be evaluated in numerous ways, however, the two key factors used to determine the investment quality (covered in this report) are **‘Diversification’** and **‘Portfolio Assessment’**.

- Measuring diversification of the investments helps in evaluating the level of concentration Holding Companies possess in a particular sector. Higher the diversification, lower the risk and vice versa.

- Considering the portfolios of top four listed players of the sector (which account for ~75.7% of the sector’s investments in CY24 (CY23:~68.9%), the concentration of overall investments comprised power generation sector (~54.4%) and “Others” (~19.6%), with the latter including various sectors such as Real Estate, Insurance, Investment Services and Information Technology, to name a few.

- Investments in the power sector were up ~21.8% YoY in CY24. Power sector’s circular debt reached PKR~2.4trn as of End-Mar’25, down ~14.2% YoY. The commercial banking investment has risen by ~20.3% YoY.

Player-wise Investments Diversification



Holding Companies

Business Risk | Portfolio Assessment

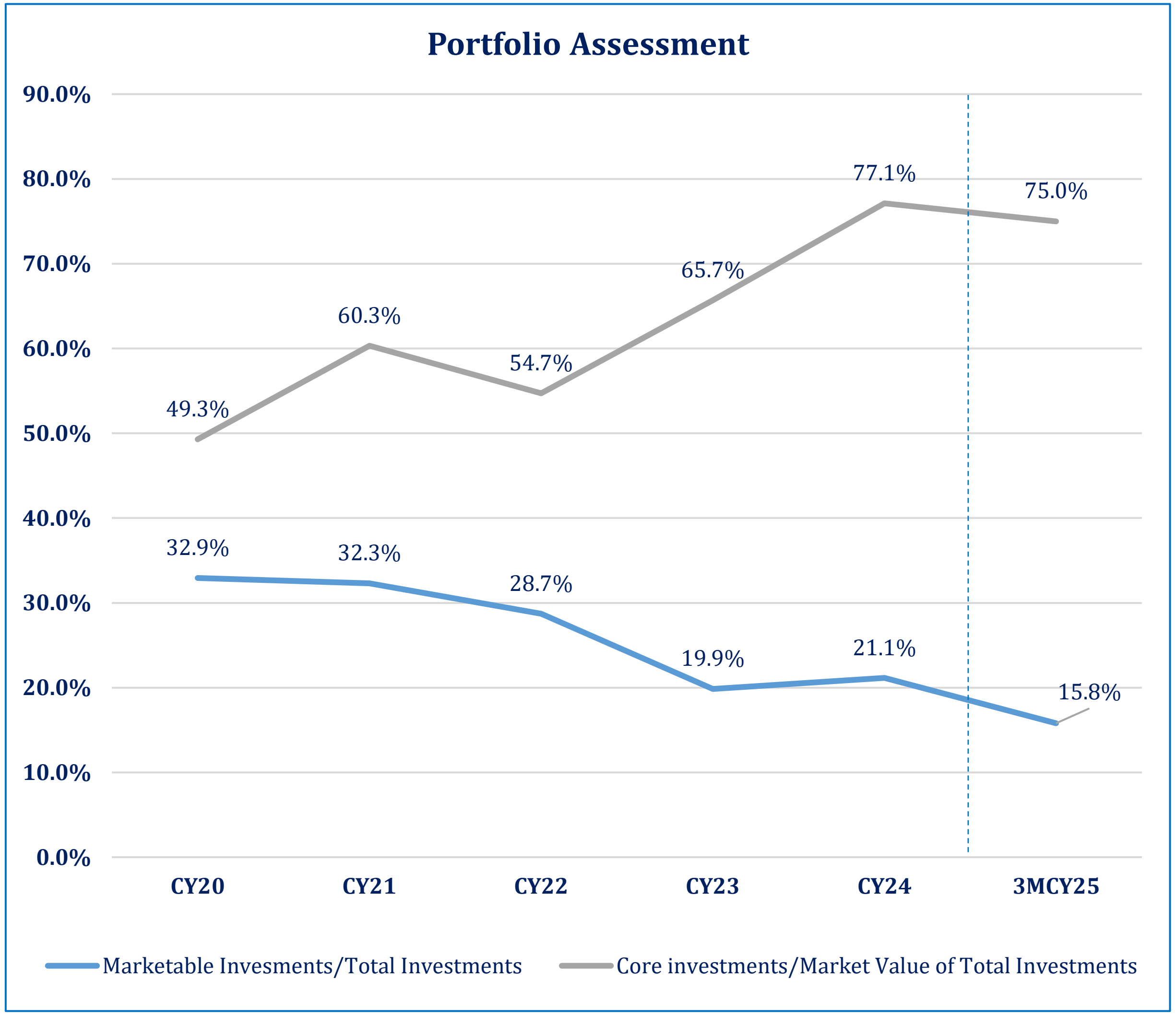
- Portfolio assessment provides a useful way of assessing the Holding companies' portfolios in their core investments and marketable investments against the market value of total investments.

- 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.

- The sector's core investments accounted for ~77.1% of the market value of its total investments in CY24 (CY23: ~65.7%), whilst recording ~4.9% increase YoY, while marketable investments accounted for ~21.1% of total investments in CY24 (CY23: ~19.9%), up ~11.7% YoY.

- PACRA recognizes that a HoldCo may be unwilling and/or unable to liquidate core and strategic investments as these investments may hold strategic importance and/or carry reputational risk for the HoldCo. 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.*

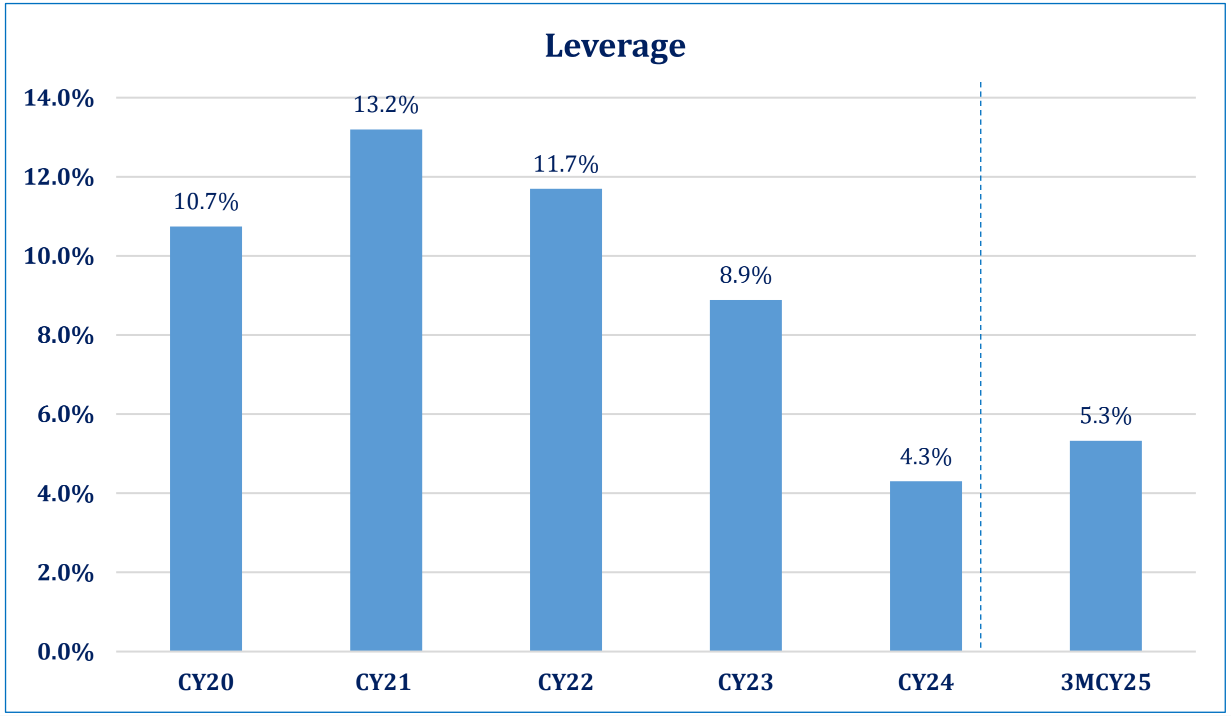
Source: PACRA Database

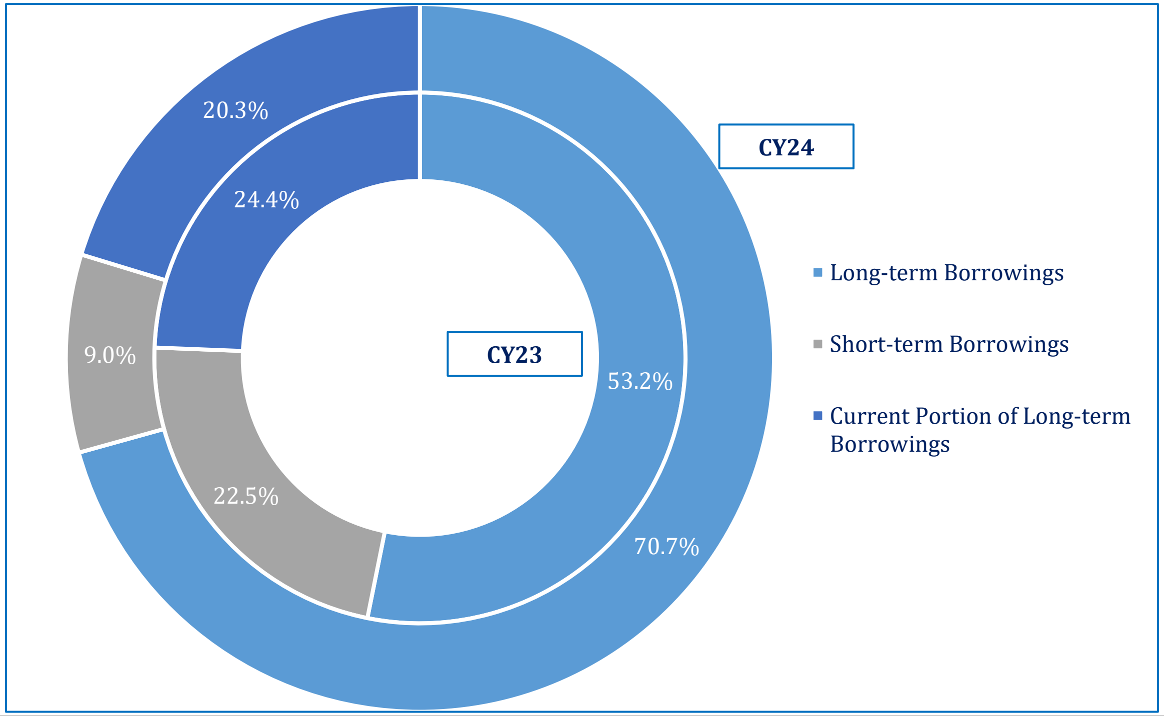
Holding Companies

Financial Risk | Borrowings

- Holding companies (HoldCos) stand out as conservative in leverage: they are predominantly equity-financed vehicles that rarely tap external debt, preferring to use shareholder capital to pursue strategic, long-horizon investments in core subsidiaries. As standalone entities, therefore, HoldCos carry minimal financial risk relative to the wider sector. The ongoing decline in industry-wide leverage only amplifies this distinction—reinforcing HoldCos' position as low-geared, equity-backed platforms able to deploy capital with agility while maintaining robust credit profiles.

- Leverage of the sector declined to ~4.3% in CY24, reflecting ~45.3% YoY lower borrowings that stood at PKR~17.6bln. These borrowings comprised ~70.7% long-term borrowings (CY23: ~53.2%), which decreased by ~27.3% YoY to stand at PKR~12.4bln and ~9.0% short-term borrowings (~22.5% in CY23), which decreased by ~78.0% YoY to stand at PKR~1.6bln. For 3MCY25, average leverage of the sector declined to ~5.3%,





***Note**: Data is based on PACRA-rated clients. 3MCY25 is based on 7 players*

Source: PACRA Database

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.

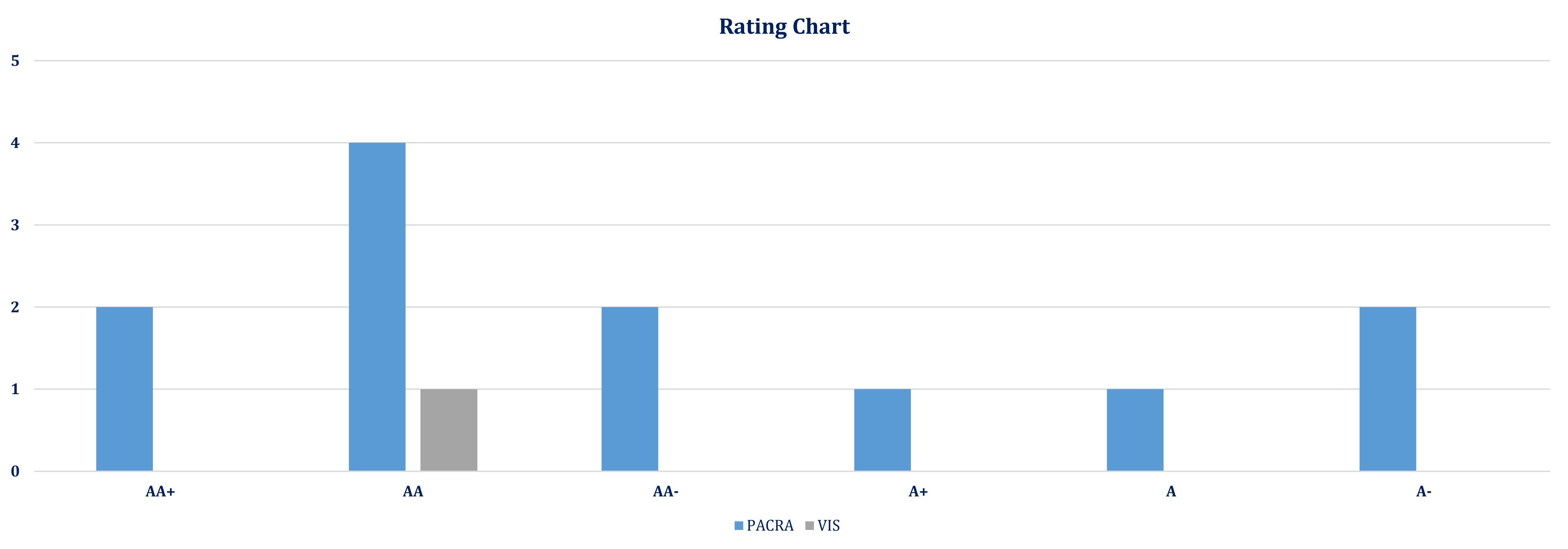
- The Regulations also facilitate streamlining of the group ownership structures and consolidation of the present complicated cross-company ownership to make the corporate sector internationally competitive.

- 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 Curve

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



Source: PACRA Database

Holding Companies

SWOT Analysis

Strengths

- Diversified portfolio
- Increased asset size
- Efficient allocation of capital
- Reduced risk of losses
- Central control and management
- Tax benefits
- Financial flexibility
- Easy access to capital

Weaknesses

- Unclear borrowing patterns
- Exposure to exchange rate volatility
- Inventory management issues in case an investee loses its market
- Complex organizational structure
- Regulatory scrutiny
- Dependency on subsidiary companies

Threats

- Complex legal structures
- Investment concentration
- Economic downturns
- Market competition
- Risk of over-leveraging

Opportunities

- Less competition
- Flexibility of growth and competition
- Innovation & diversification
- Minimized taxes
- Mergers & acquisitions
- Global expansion

Holding Companies

Outlook: Stable

- Pakistan's economy posted a real GDP growth of ~2.7%* in FY25 (FY24: ~2.5%). Meanwhile, the LSM contracted by ~1.5% in 9MFY25. The decline in LSM can be understood by various factors such as a sluggish economic recovery and a carry-forward impact of interest rate hikes from the previous two fiscal years. While sectors such as automobile (~40.0%), and cotton yarn (~8.4%) registered a strong climb during 9MFY25, a dismal performance by heavyweights including iron & steel (~-10.9%), and chemicals (~-5.5%) sector resulted in a broad-based contraction of the LSM.
- The trend of establishing Holding Companies to manage group structures is a well-established practice in Pakistan and across the globe. Most of the big business groups such as Hub Power Holdings Limited, Engro Corporation Limited, Packages Limited etc., operate under the HoldCo structure. The sector is, therefore, largely organized with a sizable asset base and investment book, which clocked in at PKR~543bln and PKR~477bln, respectively, as of end-CY24.
- Total assets of the sector amounted to PKR~543bln as at end-CY24 (CY23: PKR~472bln). Hub Power Holding maintained the highest share in the sector at ~31.6%. The sector's income stream is largely derived from the dividend inflows and returns from capital gain.
- **Power**: The Power sector in Pakistan is in a transitionary stage. In recent past, power tariffs have been trimmed. The "Electricity, Gas and Water supply" segment has provisionally grown by ~28.8% in FY25. This upturn is encouraging for Holding companies, which have increased their allocation to the sector (FY24: ~54.4%; FY23: ~53.0%)
- **Chemicals**: The chemicals sector is a critical provider of raw materials for a wide range of downstream industries. The downstream segment of LSM, especially those using chemicals have suffered. QIM indexes on products such as Soaps & detergents has taken a hit of ~25.7%.
- **Paper and Packaging**: The packaging industry is primed for growth as higher-quality products—particularly Paper and Tinplate—capture a larger share of demand. The paper & board sector in 9MFY25 LSM has grown marginally by ~0.3% YoY.
- **Commercial Banking**: Commercial Banking income is expected to grow as policy rate cuts increases Net Income arising from PIBs.
- Sustained momentum in high-growth segments and the deepening role of equity-financed Holding companies underpin a cautiously optimistic path toward the FY26 real GDP target of ~4.3%.

** Provisional GDP figure*

Holding Companies

Bibliography

- Securities Exchange of Pakistan
- State Bank of Pakistan
- Pakistan Bureau of Statistics
- PACRA Internal Database

Research Team	**Saniya Tauseef** Senior Manager saniya.tauseef@pacra.com	**Ayesha Wajih** Assistant Manager ayesha.wajih@pacra.com	**Syed Faran Ahmad** Associate Research Analyst faran.ahmad@pacra.com
Contact Number: +92 42 35869504			

DISCLAIMER