



The Pakistan Credit Rating Agency Limited

## Rating Report

### Energy Infrastructure Holding (Pvt.) Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Jan-2023	A-	A1	Stable	Maintain	-
03-Feb-2022	A-	A1	Stable	Maintain	-
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 engineering sectors through its subsidiaries- JS Petroleum Ltd. and JS Engineering Investments (Pvt.) Ltd., respectively. JS Petroleum, however, is still in process of establishing an LPG storage terminal at Port Qasim and awaiting approval. Amidst economic challenges in the respective energy sector, the materialization of the envisaged strategy has been elongated. The management is evaluating investment projects for JS Engineering. Being an investment arm of JSCL, investment projects are predominantly funded - through equity - by the parent company. However, the current projects of the Company have a medium-term gestation period and require time to stabilize and become dividend-yielding investments. Meanwhile, the Company has a strategic investment in the associated company and a trading portfolio of listed equity investments for steady dividend inflows. Materialization of long-term projects and envisioned strategies is anticipated to amplify the financial performance and investments portfolio. The Company has a strong financial profile, represented primarily by equity base and minimal debt.

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 for the ratings.

#### Disclosure

<b>Name of Rated Entity</b>	Energy Infrastructure Holding (Pvt.) Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology   Rating Modifiers(Jun-22),Methodology   Holding Company Rating(Jun-22)
<b>Related Research</b>	Sector Study   Holding Company(Aug-22)
<b>Rating Analysts</b>	Ahmad Faraz Arif   ahmad.faraz@pacra.com   +92-42-35869504



## Profile

**Background** 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).

**Structural Analysis** The Company was incorporated on April 15, 2008. 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 a ~5.39% stake in EFU General Insurance Limited. Short-term investments include listed equity investments. Core Investments include subsidiaries, JS 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. 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.

## 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** Mr. Muhammad Babar Din (Chairman) is an associate member of the Institute of Cost and Management Accountants of Pakistan (ICMAP) and has more than 12 years of work experience in Financial Institutions with core strengths in financial reporting, managerial reporting, treasury back office, International accounting standards (IAS) and International financial reporting standards (IFRS) and has been associated with JS Group since 2018. 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** The Board meets on need-basis and attendance remains full.

**Transparency** External auditors, KPMG, issued an unqualified audit report for CY21.

## Management

**Organizational Structure** Currently, the management of JSCL is looking after the affairs of the Company. The subsidiary company, JS Petroleum, has its own CEO that reports directly to the BoD.

**Management Team** Mr. Mirza Ziad Baig (CEO) holds a Master degree in Islamic Banking and Finance from University of Karachi. He has more than eight years of experience in the field of auditing, finance & taxation and has been associated with the Company since Oct-18. He was also associated with Salman & Raheel Chartered Accountants and Ernst & Young Ford Rhodes, a member firm of Ernst & Young and has experience of working in Pakistan and Bahrain.

**Management 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 the performance of subsidiaries will be implemented in the future.

**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.

## Investment Strategy

**Investment Decision-Making** The Company's investment decisions are taken by the Board.

**Investment Policy** The Company has a prudent investment strategy as it focuses on investing in the energy sector mostly. These include investment in LPG storage currently. The Company preserves liquidity through its ample dividend income and short-term listed securities.

**Investment Committee Effectiveness** The Board is presented an investment dashboard highlighting the performance of investee companies on a quarterly basis. The management has planned new initiatives to strengthen the oversight framework going forward.

## Business Risk

**Diversification** EIHPL's portfolio of investments is categorized into a) Core Investments (13% of total investments), b) Strategic Investment (41%) and c) Trading Investments (46%). Investments in the insurance sector (~45% of total investments) dominate the portfolio, followed by investment in LPG storage terminal (~13%).

**Portfolio Assessment** The Company has a well-balanced portfolio. The Company's core investments are in unlisted subsidiaries, strategic investment in listed related party and short-term investments in listed scrips. The marketability/liquidity element of the portfolio constitutes majorly of trading investments with market value of PKR 2.2bln, providing cushion to generate liquidity.

**Income Assessment** EIHPL's topline comprises of ~90% dividend income from investments. During 9MCY22, the Company's total investment income stood at PKR 159mln witnessing ~39% decrease (9MCY21: PKR 259mln) owing to a dip in dividend income amidst economic slowdown (9MCY22: PKR 143mln, 9MCY21: PKR 179mln). Similarly, at net level the Company posted net income of PKR 116mln (9MCY21: PKR 163mln).

## Financial Risk

**Coverages** The Company has incurred finance charges of PKR 6mln during CY21 and PKR 8mln during 9MCY22. Coverage ratio is very strong due to minimal debt on the balance sheet and minimal finance cost and is expected to remain very 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 strong liquidity assessment ratio.

**Capital Structure** The Company has minimal debt of PKR 185mln as at CY21 and after repayment during the year, the debt stands at PKR 18mln as at 9MCY22. The capital structure primarily consists of equity only with leveraging ratio of ~1%.

**Consolidated Position** The Company derives its financial strength from its association with JS Group being wholly subsidiary of JSCL. The group has maintained profitable operations in recent years.



The Pakistan Credit Rating Agency Limited

Energy Infrastructure Holding Holding Company	Sep-22	Dec-21	Dec-20	Dec-19
	9M	12M	12M	12M
	Unaudited	Audited	Audited	Audited
<b>A BALANCE SHEET</b>				
1 Investments	2,226	2,342	2,237	1,961
2 Related Party Investments	485	482	2,183	1,880
3 Non-Current Assets	1,364	1,370	211	255
4 Current Assets	40	35	112	318
<b>5 Total Assets</b>	<b>4,114</b>	<b>4,229</b>	<b>4,743</b>	<b>4,415</b>
6 Current Liabilities	3	9	20	23
7 Borrowings	18	185	-	253
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	25	28	24	11
<b>10 Net Assets</b>	<b>4,068</b>	<b>4,007</b>	<b>4,699</b>	<b>4,128</b>
<b>11 Shareholders' Equity</b>	<b>4,068</b>	<b>4,007</b>	<b>4,699</b>	<b>4,128</b>
<b>B INCOME STATEMENT</b>				
1 Total Investment Income	159	259	188	198
a Cost of Investments	(8)	(759)	(0)	(0)
<b>2 Net Investment Income</b>	<b>151</b>	<b>(500)</b>	<b>188</b>	<b>198</b>
a Other Income	0	40	2	-
b Operating Expenses	(12)	(16)	(71)	(40)
<b>4 Profit or (Loss) before Interest and Tax</b>	<b>139</b>	<b>(476)</b>	<b>118</b>	<b>158</b>
a Taxation	(23)	(46)	(42)	(21)
<b>6 Net Income Or (Loss)</b>	<b>116</b>	<b>(522)</b>	<b>77</b>	<b>137</b>
<b>C CASH FLOW STATEMENT</b>				
a Total Cash Flow	139	249	107	112
b Net Cash from Operating Activities before Working Capital Changes	139	247	106	112
c Changes in Working Capital	-	(4)	100	(97)
<b>1 Net Cash (Used in) or Available From Investing Activities</b>	<b>139</b>	<b>243</b>	<b>206</b>	<b>16</b>
<b>2 Net increase (decrease) in long term borrowings</b>	<b>-</b>	<b>(476)</b>	<b>(184)</b>	<b>(101)</b>
<b>3 Net Cash (Used in) or Available From Financing Activities</b>	<b>-</b>	<b>185</b>	<b>(253)</b>	<b>253</b>
<b>4 Net Cash generated or (Used) during the period</b>	<b>139</b>	<b>(48)</b>	<b>(231)</b>	<b>167</b>
<b>D RATIO ANALYSIS</b>				
<b>1 Performance</b>				
a Asset Concentration (Market Value of Largest Investment / Market Value of )	41.9%	43.2%	34.2%	40.3%
b Core Investments / Market Value of Equity Investments	13.3%	12.3%	41.6%	33.5%
c Marketable Investments / Total Investments at Market Value	82.2%	81.7%	50.6%	59.7%
<b>2 Coverages</b>				
a TCF / Finance Cost	18.2	41.9	411.3	434.8
b TCF / Finance Cost + CMLTB	12.9	41.9	411.3	434.8
c Loan to Value (Funding / Market Value of Equity Investments )	0.0	0.1	0.0	0.1
<b>3 Capital Structure (Total Debt/Total Debt+Equity)</b>				
a Leveraging [Funding / (Funding + Shareholders' Equity)]	0.4%	4.4%	0.0%	5.8%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	0.4%	4.6%	0.0%	6.1%

### 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+	
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-	
BB+	
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-	
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	
CC	<b>Very high credit risk.</b> 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.
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)

### **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)

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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).

(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)

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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)

(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)

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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 | 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)

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