Credit Risk Rating Report

Prepared by:

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Ministry of Finance

Introduction

The Debt Management Office (DMO) has adopted a Credit Risk Assessment Framework to evaluate the creditworthiness of State-Owned Enterprises (SOEs).[1] It is based on the credit rating approach, a widely adopted framework used by credit rating agencies and governments around the world. It systematically scores, weights, and aggregates a set of quantitative and qualitative indicators to generate a final risk score. This score is then mapped to one of four risk categories: low, moderate, elevated or high risk. If an SOE is experiencing financial distress, evidenced by its inability to meet financial obligations, it is automatically assigned an in-distress rating.

This report presents the results of applying this credit rating tool to a sample of three SOEs, namely Government Holdings Private Limited, National Transmission and Dispatch Company, and Pakistan Agricultural Storage & Services Corporation Ltd. The selection of these SOEs represents a cross section of major sectors of the economy; Oil & Gas, Power, and Commodities. The results mentioned in this report is to merely demonstrate the output of the credit risk rating tool and is not to be taken as an indicator for any policy level decisions at the federal government level.

[1] The details of the framework can be accessed at https://finance.gov.pk/dpco_publications.html

Government Holdings Private Limited (GHPL)

GHPL is an SOE operating in the Oil & Gas sector, specifically within the Exploration & Development sub-sector. GHPL is classified as a low-risk entity, supported by a strong financial position and a sound business profile. The qualitative factors contributing to this rating include a well-established regulatory framework, a stable industry with minimal competition, and effective governance with a qualified board and experienced management. On the quantitative side, GHPL benefits from steady profitability, strong liquidity, and a well-managed debt structure with minimal market risk exposure. With a weighted average numerical score of 1.4, the company demonstrates financial stability and resilience, reinforcing its ability to meet obligations and sustain long-term operations.

GHPL | Rating Factors				
Business Profile and Risks	**Credit Rating**	**Numerical Score**	**Rating Factor Weight**	**Rating Rationale**
Regulatory Environment	Moderate Risk	1.7	15%	A well-established legal framework and an independent regulator,
Sector Risk and Competitive Position	Low Risk	1.4	15%	Stable industry with minimal competition, strong growth prospects, and SOE with a resilient market position.
Governance and Management	Moderate Risk	1.6	15%	A largely independent and qualified board, effective management with a strong track record
Financial Profile and Risks	**Credit Rating**	**Numerical Score**	**Rating Factor Weight**	**Rating Rationale**
Profitability	Moderate Risk	1.5	10%	Steady earnings with stable margins
Liquidity	Low Risk	1.0	10%	Strong liquidity position, with ample short-term assets to cover obligations comfortably
Solvency	Moderate Risk	2.0	15%	Balanced leverage with a healthy debt profile
Debt Structure	Low Risk	1.0	10%	Minimal market risk exposure, with mostly domestic currency,

				long-maturity, and fixed-rate debt.
Performance in Meeting Financial Obligations to Government	Low Risk	1.0	10%	Strong track record of timely payments and remains current on all financial obligations to the government.
Weighted average numerical score[2]	1.4	100.0%	**A low risk profile**	
Stand-Alone Credit Rating for Public Corporation	**Low Risk**	1.0	A strong financial and operational position with minimal market risk and a proven track record of meeting financial obligations.	

National Transmission and Dispatch Company (NTDC)

NTDC is an SOE operating in the Power sector, specifically within the Transmission sub-sector. NTDC is rated at elevated risk, primarily due to rising debt pressures, weak governance, and significant liquidity constraints. Qualitative factors contributing to this rating include regulatory limitations, cost inefficiencies, and ineffective management, which further strain financial stability. On the quantitative side, NTDC faces high financial leverage, limited short-term liquidity, and an unfavorable debt structure with significant market risk exposure. With a weighted average numerical score of 2.8, the company's financial flexibility remains constrained, requiring urgent improvements in governance, debt management, and operational efficiency to mitigate long-term risks.

NTDC | Rating Factors				
Business Profile and Risks	**Credit Rating**	**Numerical Score**	**Rating Factor Weight**	**Rating Rationale**
Regulatory Environment	Moderate Risk	2.4	15%	Strong legal framework and transparency, but partial independence, some subsidies, and future support concerns
Sector Risk and Competitive Position	Elevated Risk	2.5	15%	Faces high competition, cost inefficiencies, and diversification challenges, with moderate growth prospects

Governance and Management	Elevated Risk	2.9	15%	Weak board independence, ineffective management, inconsistent financial reporting, and high borrowing exceeding capital expenditure
Financial Profile and Risks	**Credit Rating**	**Numerical Score**	**Rating Factor Weight**	**Rating Rationale**
Profitability	Moderate Risk	1.5	10%	Stable EBITDA margin but near-zero ROA indicates limited earnings generation relative to assets
Liquidity	High Risk	3.5	10%	Limited capacity to meet short-term obligations without additional financing
Solvency	Elevated Risk	3.0	15%	Rising debt-to-equity ratio and weak debt coverage indicate heightened financial leverage and constrained flexibility
Debt Structure	High Risk	4.0	10%	Faces significant exposure to all three market risks under consideration, with no effective mitigation measures in place.
Performance in Meeting Financial Obligations to Government	Elevated Risk	3.0	10%	Currently meeting its financial obligations to the government, it has a history of non-compliance over the past five years and may have outstanding arrears.
Weighted average numerical score[2]	2.8	100.0%	**An elevated risk profile**	
Stand-Alone Credit Rating for Public Corporation	**Elevated Risk**	3.0	The risk is elevated due to weak governance, high financial leverage, and significant liquidity constraints	

Pakistan Agricultural Storage & Services Corporation Ltd (PASSCO)

PASSCO is an SOE operating in the Trading & Marketing Sector, specifically within the Agricultural Storage sub-sector. PASSCO exhibits an elevated credit risk profile with a stand-alone rating of 3.0, reflecting structural challenges in its business and financial setup. While operating within a partially supportive regulatory environment, the corporation faces constraints related to diversification and operational efficiency amid a competitive landscape. Financially, low profitability, tight liquidity, and a high debt burden pose significant risks to financial viability.

PASSCO | Rating Factors				
Business Profile and Risks	**Credit Rating**	**Numerical Score**	**Rating Factor Weight**	**Rating Rationale**
Regulatory Environment	Elevated Risk	3.0	15%	Regulatory independence remains limited, with tariffs not fully covering capital costs, necessitating subsidies. Emerging uncertainties around future regulatory support may affect revenue stability and long-term planning.
Sector Risk and Competitive Position	Elevated Risk	2.6	15%	The SOE operates in a competitive and cost-challenged environment, with limited diversification. While industry growth is moderate, the entity remains exposed to economic, commodity, and environmental fluctuations.
Governance and Management	Elevated Risk	2.9	15%	The SOE faces governance challenges, with limited board independence and expertise, weak financial reporting, and a high-risk management approach.
Financial Profile and Risks	**Credit Rating**	**Credit Rating**	**Rating Factor Weight**	**Rating Rationale**
Profitability	Moderate Risk	2.0	10%	Profitability remains at moderate risk due to a low EBITDA margin and a declining return on assets, indicating limited efficiency in generating profit
Liquidity	Elevated Risk	2.5	10%	Liquidity remains at elevated risk, as the current ratio has consistently been low around 1.1, suggesting potential

				challenges in meeting short-term obligations.
Solvency	High Risk	4.0	15%	Solvency risk is also elevated, marked by high debt-to-equity levels and marginal debt coverage
Debt Structure	High Risk	4.0	10%	Debt structure poses substantial risk, with high unmitigated exposure to all three market risks—foreign currency, short-term, and variable-rate debt.
Performance in Meeting Financial Obligations to Government	Elevated Risk	3.0	10%	The SOE's track record in meeting financial obligations to the government is mixed, having a history of arrears and delays.
Weighted average numerical score[2]	3.0	100.0%	**An elevated risk profile**	
Stand-Alone Credit Rating for Public Corporation	**Elevated Risk**	3.0	The elevated risk rating is fundamentally driven by structural liquidity mismatches, elevated leverage ratios, and a pronounced dependence on recurrent fiscal transfers and embedded subsidies, which materially distort normalized earnings metrics such as EBITDA and key credit coverage ratios. These quasi-fiscal inflows, while temporarily enhancing reported financial resilience, do not reflect the entity's endogenous operating strength. The current credit assessment integrates these fiscal inflows as implicit credit enhancements. However, under a no-support scenario or stress-adjusted framework, the entity's standalone credit fundamentals—including leverage, liquidity coverage, and solvency indicators—would be severely impaired, rendering the current risk profile materially weaker on an unadjusted basis.	

Note: *For a more detailed analysis of these SOEs, refer to the Annual Aggregate Report on the Performance of State-Owned Enterprises (SOEs) for FY 2024 by the Central Monitoring Unit (CMU). This report offers a comprehensive 360-degree evaluation of federal-level SOEs in Pakistan, covering both financial and non-financial performance.* *https://www.finance.gov.pk/publications/SOEs_Annual_Report_FY2024.pdf*