

Leasing Sector

January 2016

Industry

Players

Key Numbers

Industry - Structure

Key
Developments

Breakup of NBFIs' Assets

Sector	As at end-Jun15			As at end-Jun14		
	No of. Entities	Total Assets (PKR in bln)	Assest Share in NBFIs	No of. Entities	Total Assets (PKR in bln)	Assest Share in NBFIs
Lending Institutions						
Investment Banks	7	10	1%	7	11	2%
Leasing Companies *	8	40	5%	8	36	5%
Modarabas	25	31	4%	23	30	4%
Lending Institutions Total	40	81	10%	38	77	11%
Investing Institutions						
Asset Management Companies / Investment Advisor	25	32	4%	25	30	4%
Mutual Funds	167	492	60%	160	452	63%
Discretionary & Non-Discretionary Portfolios	-	97	12%	-	72	10%
Pension Funds	17	14	2%	13	8	1%
REITs	1	23	3%	-	-	0%
Investing Institutions Total	210	658	80%	198	562	79%
NBFI's Total	250	821	100%	274	716	100%

- ◆ Scope of this presentation is limited to Leasing Companies where it is being compared with NBFIs Lending Institutions (NBFI-LI).
- ◆ NBFIs Lending institutions – very small (65bps) in overall financial industry of Pakistan

* Licenses renewal of Capital Assets Leasing Corporation Limited and Security Leasing is pending.

Leasing Companies

Sr. No.	Name	Jun-15		Jun-14		Jun-13	
		Assets	Share in Total Assets	Assets	Share in Total Assets	Assets	Share in Total Assets
1	Orix Leasing Pakistan Ltd	28,318	69.7%	24,449	66.5%	23,127	67.1%
2	Standard Chartered Leasing Ltd	5,225	12.9%	5,525	15.0%	5,446	15.8%
3	Pak Gulf Leasing Company Ltd	1,501	3.7%	1,209	3.3%	910	2.6%
4	NBP Leasing Ltd	1,296	3.2%	1,296	3.5%	1,253	3.6%
5	Sindh Leasing Company Ltd	1,242	3.1%	1,051	2.9%	0	0.0%
6	Saudi Pak Leasing Company Ltd	1,090	2.7%	1,223	3.3%	1,599	4.6%
7	Security Leasing Corporation Ltd	847	2.1%	919	2.5%	1,168	3.4%
8	SME Leasing Ltd	658	1.6%	658	1.8%	542	1.6%
9	Grays Leasing Ltd*	234	0.6%	224	0.6%	215	0.6%
10	Capital Assets Leasing Corporation Ltd	213	0.5%	189	0.5%	206	0.6%
Total		40,624	100%	36,743	100%	34,466	100%

SME Leasing Ltd - FY15 numbers are not available

** Book value*

Leasing Companies

Sr. No.	Name	Jun-15		Jun-14		Jun-13	
		Equity	Equity/ Assets	Equity	Equity/ Assets	Equity	Equity/ Assets
1	Orix Leasing Pakistan Ltd	3,548	13%	2,983	12%	2,589	11%
2	Sindh Leasing Company Ltd	1,060	85%	1,027	98%	0	-
3	Standard Chartered Leasing Ltd	964	18%	960	17%	928	17%
4	NBP Leasing Ltd	766	59%	766	59%	741	59%
5	Pak Gulf Leasing Company Ltd	547	36%	451	37%	419	46%
6	SME Leasing Ltd	190	29%	188	29%	200	37%
7	Capital Assets Leasing Corporation Ltd	148	70%	134	71%	121	59%
8	Grays Leasing Ltd	75	32%	75	34%	75	35%
9	Security Leasing Corporation Ltd	65	8%	125	14%	253	22%
10	Saudi Pak Leasing Company Ltd	-477	-44%	-371	-30%	-373	-23%
	Total	6,887		6,338		4,953	

Leasing Companies

Sr. No.	Name	Jun-15			Jun-14			Jun-13		
		Profit	ROE	Share in Total Profit	Profit	ROE	Share in Total Profit	Profit	ROE	Share in Total Profit
1	Orix Leasing Pakistan Ltd	671	10%	101%	516	9%	89%	338	7%	65%
2	Standard Chartered Leasing Ltd	83	4%	12%	110	6%	19%	106	6%	20%
3	Pak Gulf Leasing Company Ltd	50	5%	8%	29	3%	5%	27	3%	5%
4	Sindh Leasing Company Ltd	33	2%	5%	27	3%	5%	0	-	0%
5	NBP Leasing Ltd	26	2%	4%	26	2%	5%	26	2%	5%
6	Capital Assets Leasing Corporation Ltd	14	5%	2%	13	5%	2%	14	6%	3%
7	Grays Leasing Ltd	0	0%	0%	-1	-1%	0%	3	2%	1%
8	SME Leasing Ltd	-11	-3%	-2%	-11	-3%	-2%	-8	-2%	-1%
9	Security Leasing Corporation Ltd	-97	-51%	-15%	-135	-36%	-23%	-129	-20%	-25%
10	Saudi Pak Leasing Company Ltd	-106	13%	-16%	7	-1%	1%	141	-10%	27%
	Total	662		100%	582		100%	519		100%

Industry

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Key Numbers

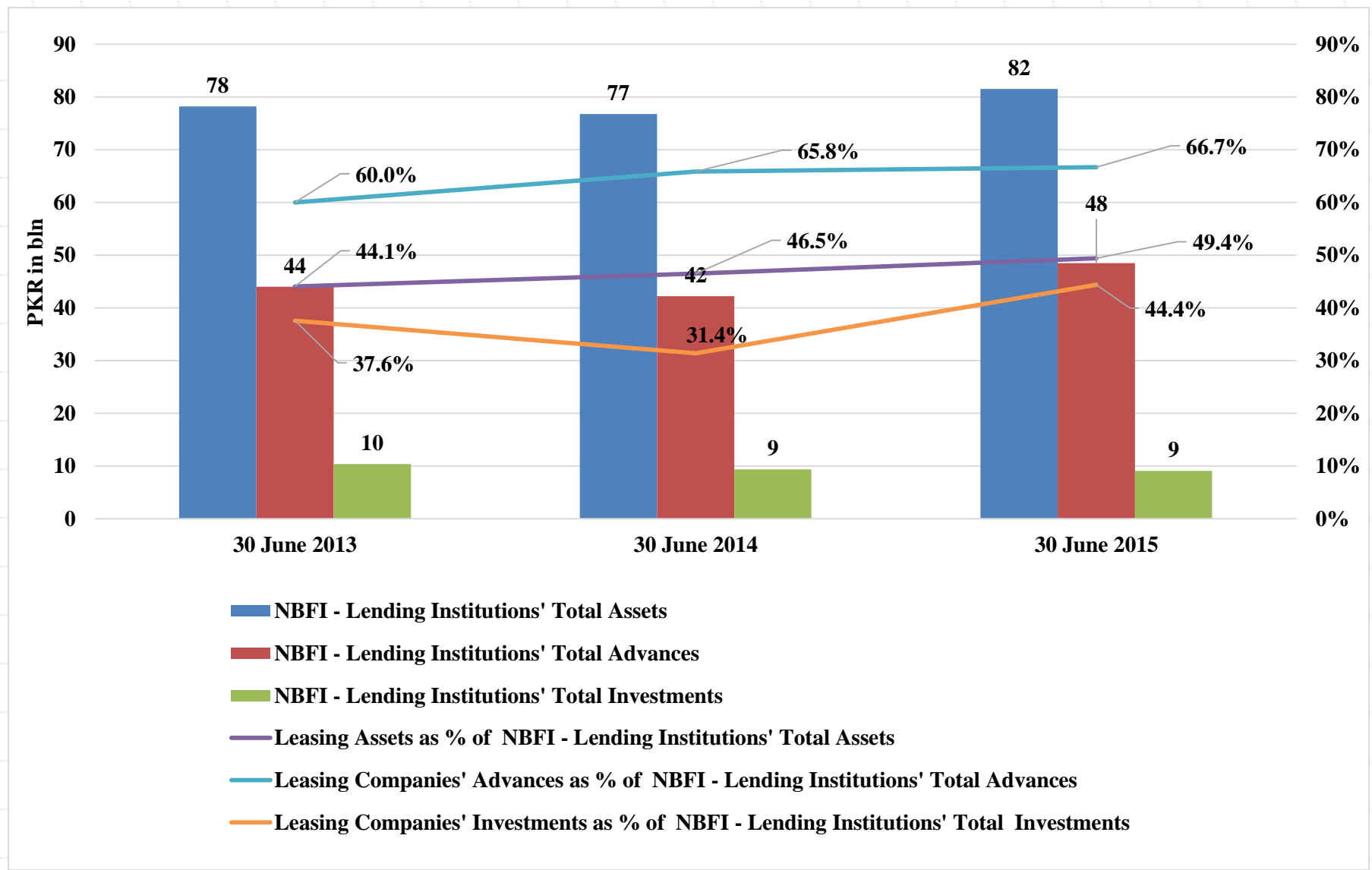
Industry - Structure

Key Developments

Rated Universe

Sr #	Leasing	Rating Agency	Current Ratings	Outlook	Action	Last Rating Change
1	Orix Leasing Pakistan Ltd	PACRA	AA+/A1+	RW	Maintain (Sep-15)	Upgrade (Jan-13)
2	Standard Chartered Leasing Ltd	PACRA	AA+/A1+	RW	Maintain (Sep-15)	Upgrade (Feb-13)
3	NBP Leasing Ltd	JCR-VIS	A+/A1	RW - Developing	Maintain (Nov-15)	Upgrade (Jun-11)
4	Sindh Leasing Ltd	JCR-VIS	A/A2	Stable	Initial (Apr-15)	-
5	Pak-Gulf Leasing Ltd	JCR-VIS	A-/A2	Stable	Maintain (Nov-15)	Upgrade (Nov-14)
6	Grays Leasing Ltd	JCR-VIS	BB-/B	Stable	Maintain (Dec-15)	Downgrade (Sep-11)
7	SME Leasing Ltd	JCR-VIS	BB-/B	Negative	Downgrade (Jul-15)	Downgrade (Jul-15)

Leasing Companies' Share in NBFIs - Lending Institutions



Breakup of Deposits as at end-Jun15

Category	PKR in mln				Percentage of Total Deposit
	Leasing Companies	Modarabas	Investment Banks	Total	
Individual	8,452	3,815	1,023	13,290	73%
Corporate	975	1,466	522	2,962	16%
Trust	36	775	194	1,005	6%
Govt. Entities	-	-	822	822	5%
Financial Institutions	20	135	22	176	1%
Total	9,483	6,190	2,583	18,256	100%

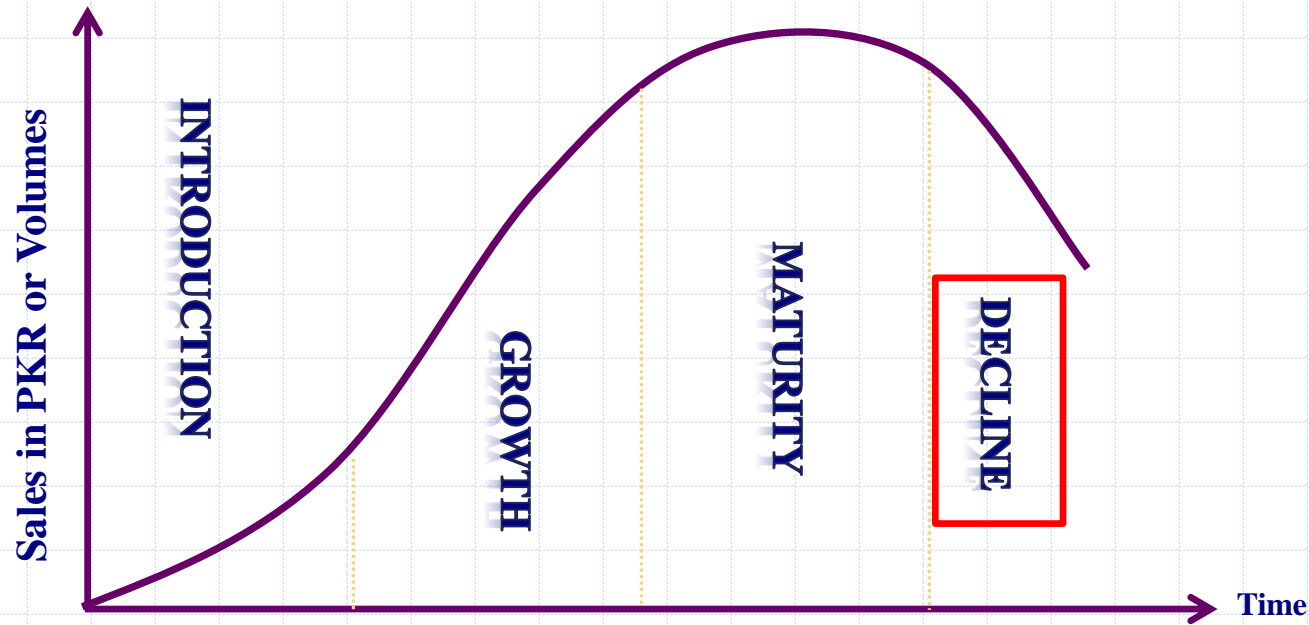
Breakup of Deposits as at end-Jun15

Category	PKR in mln		
	Leasing Companies	Modarabas	Investment Banks
Individual	89.1%	61.6%	39.6%
Corporate	10.3%	23.7%	20.2%
Trust	0.4%	12.5%	7.5%
Govt. Entities	0.0%	0.0%	31.8%
Financial Institutions	0.2%	2.2%	0.9%
Total	9,483	6,190	2,583

Industry Structure



Industry Lifecycle



◆ Decline phase unless Leasing Companies innovate

Nature of Product

◆ Commodity due to similar product nature

Competitiveness of Leasing Companies

Operating Environment

- Not Operating in isolation
- Part of a broad financial industry providing tough operating environment

Bargaining power of Suppliers

- Deposit holders – the Supplier
- High owing to severe competition from banking and mutual fund industry offering ease of services due to its large branch outreach.

Bargaining power of Customers

- Borrowers – the Customers
- Medium bargaining power as the SMEs are not being focused by others

Threat of New Entrants

- Within Leasing industry survival is a challenge thus posing limited threat of new entrant
- In the overall financial industry, threat is low due to large capital investment

Intensity of Competitive Rivalry

- Very high as shown by small share in the total financing industry

Threat of Substitute Products

- High due to similar nature of products being offered by other financial institutions

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Industry – Key Developments

➤ Amendments in NBFCs Prudential Regulations 2008 have been issued in November 2015. The salient features of these regulations are as follows:

Form of Business	Minimum Equity Requirement
New deposit taking NBFCs for obtaining license of Investment Finance Services or Lending or Discounting or Housing Finance Services	PKR 1,000mln
Existing NBFCs with valid deposit taking permission having Investment Finance Services license **	PKR 750mln
Existing NBFCs with valid deposit taking permission having leasing license	PKR 500mln
Non-deposit taking NBFCs for Investment Finance Services license	PKR 100mln
Non-bank Microfinance Company for Investment Finance Services license*	PKR 50mln
Non-deposit taking NBFCs for lending or Discounting or Housing Finance Services license	PKR 50mln for each form of business
Asset Management Services	PKR 200mln
Investment Advisory Services	PKR 30mln

Industry – Key Developments

1. Deposit taking ability of NBFIs has been linked with the credit rating in the following manner:

Credit Rating	Total deposits from all sources including deposits from individuals, sole proprietors, provident/gratuity funds, trusts, charitable institutions and section 42 companies	Deposits from individuals, sole proprietors, provident/gratuity funds, trusts, charitable institutions and section 42 companies
AA- and above	5 times of equity	4 times of equity
A to A+	3 times of equity	2 times of equity
BBB to BBB+	2 times of equity	Nil

2. Concept of CAR for NBFIs has also been introduced (minimum 8% for first two years of the implementation of these regulation and 10% afterwards)
3. NPLs' classification criteria and provisioning requirements have also been changed.

Bibliography

1. **Modaraba Year Book** – 2014, 2013, 2012 - <http://www.nbfi-modaraba.com.pk/>
2. **SECP Monthly Sector Summary** - http://www.secp.gov.pk/SCD/scd_mss.asp
3. **SBP Quarterly Compendium of the Banking System** - <http://www.sbp.org.pk/ecodata/fsi.asp>

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