

Date

31-Jan-25

Analyst

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Applicable Criteria

- Assessment Framework | General Insurance | Mar-24
- Methodology | Rating Modifiers | Apr-24

Related Research

- Sector Study | General Insurance | Jun-24

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PACRA Maintains IFS Rating of Sindh Insurance Limited

Rating Type	IFS	
	Current (31-Jan-25)	Previous (31-Jan-24)
Action	Maintain	Maintain
IFS Rating	A++ (ifs)	A++ (ifs)
Outlook	Stable	Stable
Rating Watch	-	-

Pakistan's general insurance industry has a total size of ~PKR 99bln during 6MCY24 (6MCY23: ~PKR 84bln), exhibiting a growth of ~18% in Gross Premium Written (GPW). The industry reported an increase of ~130% in underwriting results (6MCY24: ~PKR 6bln, 6MCY23: ~PKR 2.6bln). The industry's investment income also experienced an increase of ~52% to ~PKR 11.7bln during 6MCY24 (6MCY23: ~PKR 7.7bln). However, current economic conditions remain imperative for the overall performance of the insurance industry.

The assigned ratings of Sindh Insurance Limited ("Sindh Insurance" or "the Company") reflect its strong linkage to the Government of Sindh (GoS), providing the Company with a potential advantage in market position. The Company addresses the insurance needs for assets owned and financed by the GoS and was established under the Sindh Insurance of Public Property Act, 2015¹ passed by the Sindh Provincial Assembly. The Company's conventional portfolio stood affirmed, contributing ~98% to the business, and is mainly generating revenue from Engineering (~59%), followed by Fire & Property (~14%). Over the years, the Company has grown; however, during 9MCY24, Sindh Insurance witnessed a dip of ~13.5% in GPW with reliance remaining on the captive business i.e., the business generated from various provincial government departments and institutes. Customer concentration is considerably high, with ~64% of GPW emanating from Sindh Engro Coal Mining Company (SECMC), only. Considerable efforts have been undertaken by the Company for further enhancement of the GPW. However, the focus towards penetrating the non-captive avenues remains pivotal for the Company's growth, going forward. The bottom line gathers support from the investment income mainly, along with prudent underwriting practices. However, the underwriting profits remain lower when compared to the industry peers. On the financial risk front, the Company gathers support from a adequate investment book, primarily invested in government securities including PIBs, T-Bills, and TFCs, providing substantial liquidity. Moreover, the cashflows and capital adequacy provides comfort. Sindh Insurance envisions to implement crop insurance throughout Sindh, following the directives issued by the GoS cabinet. Additionally, Sindh Insurance intends to establish a life insurance company to expand its presence in the life insurance market. However, timely and successful materialization of the said initiatives, without impacting the Company's liquidity, remains imperative to rating.

The rating is dependent on the Company's ability to strengthen its market position with sustainable profits. The financial risk profile should remain afloat along with growth. Moreover, the Government's backing and good governance practices are the keys to sustained rating.

About the Entity

Sindh Insurance Limited ("Sindh Insurance" or "the Company") was incorporated as a non-listed public limited Company on 20-Dec-13. The Company operates as a general insurance company in fire & property, motor, accident & health, and marine & transport segments. Government of Sindh (GoS) owns a 100% stake in the Company through the Ministry of Finance (MoF).

The Company has a seven-member Board chaired by Mr. Saleem Zamindar. Mr. M. Faisal Siddiqui heads the Company as the Chief Executive Officer and is supported by an experienced team of professionals.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.