



Date

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Applicable Criteria

- Methodology | Non-Banking Finance Companies | Jan-17
- Methodology | MicroFinance Institutions | Jun-17
- Methodology | Correlation between long-term and short-term rating scale | Jun-17
- Methodology | Criteria Modifiers | Jun-17
- Methodology | Bank Rating | Jun-17

Related Research

- Sector Study | DFI | Oct-17

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PACRA Assigns Entity Ratings to Pakistan Microfinance Investment Company Limited

Rating Type	Entity
	Current (24-Oct-17)
Action	Initial
Long Term	AA
Short Term	A1+
Outlook	Stable
Rating Watch	-

The ratings of Pakistan Microfinance Investment Company Limited (PMIC) take into account implicit support of the three sponsors, Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan — funded by UK’s Department for International Development (DFID) — and the KfW Development Bank, a German government-owned development bank. Considering the vital role of microfinance sector in enhancing financial inclusion, PMIC was established to build on the work undertaken by PPAF with lending operations of PPAF spun-off into PMIC. Licensed as a Non-Banking Financial Company by SECP, PMIC can attract funding from diversified sources and leverage its capital to enhance the scale of its impact. In addition to meeting the liquidity needs of the sector, which requires USD 3 bln to reach a target of 10 mln active clients by the year 2020, PMIC has also introduced Microfinance Plus services which contribute to its mission of providing broad-based services to its clients. Including the 20 MFIs, registered as NBMFIs under the SECP rules, and 11 MFBs currently licensed by SBP, PMIC’s target market currently comprises 31 institutions. PMIC had a lending portfolio of ~ PKR 5.4bln disbursed among ~12 microfinance institutions as of Aug’17. Concentration of the portfolio would remain a key concern for credit management. The strong equity base (Aug’17: ~PKR 5.9bln) provides comfort to the assigned ratings. In addition to capital contribution from the sponsors, PMIC also has subordinate loans available from them, which reflects the sponsors’ commitment to the institution’s mission. Over the next 4 years, PMIC plans to expand its micro-finance lending portfolio to ~PKR 40 bln, with a fund base of ~ PKR 45bln, including equity and tier-2 capital of ~PKR 22bln. The board has been able to engage a management team of experienced professionals for the successful execution of the strategy, who have had lengthy association with the micro-finance sector in general and PPAF in particular.

The performance of the company will be monitored vis-à-vis the planned goals. With expansion of the lending portfolio, the company’s ability to sustain the credit quality will also be tracked; use of rigorous control mechanism remains central to the company’s performance and hence the ratings. Given the initial stage of operations, stability of the management team is integral for realization of business strategy.

About the Entity

PMIC, incorporated in August 2016, is licensed to carry out Investment Finance activities as a Non-Banking Financial Company (NBFCs) under the NBFC Rules 2003 and NBFC Regulations 2008. The strong sponsors, PPAF (49%), Karandaaz (38%) and Kfw (13%), strengthen the financial muscle of PMIC, enabling it to meet its objectives of enhancing liquidity of Microfinance sector. The Company operates through its head office in Islamabad.

The board comprises seven members, including two representatives of PPAF, and one each of Karandaaz, and KfW, while two directors are independent. The Chairman is Mr. Zubyr Soomro, a leading banker, carrying more than 36 years of experience at senior positions. Mr. Yasir Ashfaq, CEO of the company, served as Group Head Financial Services Group at PPAF and carries an experience of more than 20 years. The key management positions are held by qualified and experienced individuals.

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.