



**Date**

21-Jun-18

**Analyst**

Ayesha Qasim  
ayesha.qasim@pacra.com  
+92-42-35869504  
www.pacra.com

**Applicable Criteria**

- Methodology | Non-Banking Finance Companies | Jan-17
- Methodology | MicroFinance Institutions | Jun-17

**Related Research**

- Sector Study | DFI | Jun-18

**Disclaimer**

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

**PACRA Maintains Entity Ratings of Pakistan Microfinance Investment Company Limited**

Rating Type	Entity	
	Current (21-Jun-18)	Previous (24-Oct-17)
Action	Maintain	Initial
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The ratings of Pakistan Microfinance Investment Company Limited (PMIC) reflect its robust equity base, well-conceived business plan and a strong ownership structure. Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan - funded by UK's Department for International Development (DFID) - and KfW, a German government-owned development bank – have contributed to the institution's capital in addition to providing subordinated loans. PMIC is distinctly positioned as an apex lending institution for the microfinance sector, in addition to its role to develop the sector and facilitate the evolution of the eco-system. PMIC's target market includes 33 institutions - 22 MFIs and 11 MFBs. Of these, the company has developed relationships with 19 MFIs and the loan portfolio stood at PKR~14bln as of end-March'18. Additionally, PMIC is in the process of developing lending relationships with MFBs. PMIC plans on expanding its microfinance lending portfolio to PKR~40bln by 2020. The company has also undertaken interventions to support capacity building in the sector under its Microfinance Plus initiatives targeted towards agri-value chains, enterprise development, micro-insurance, renewable energy, among others. PMIC would fund its lending operations through its own equity base, subordinated loans from sponsors, and market borrowings – market-based funding is projected to comprise a sizable portion of the institution's overall funding, going forward. The company's operations have been designed on efficient lines with a strong control environment. Notable developments in the overall structure and risk environment alongside operational efficiencies are yielding healthy revenues. The trend is expected to sustain, going forward.

The performance of the company will be monitored vis-à-vis the planned targets. In the backdrop of expanding loan portfolio, the company's ability to sustain credit quality is considered important; maintaining a strong control environment remains central to the company's performance and hence the ratings. Stability and cohesiveness of the management team is also important 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 profile 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. Mr. Naved A. Khan - a banking veteran, has been nominated to replace Mr. Zubyr Soomro as Director in April-18 (subject to necessary approvals). Mr. Yasir Ashfaq, CEO of the company carries experience of more than ~20 years. Key management positions are held by qualified and experienced individuals. Most of them have a lengthy association with the microfinance sector in general and PPAF in particular.

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.