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Analysts

Jhangeer Hanif
jhangeer@pacra.com

Muhammad Obaid
muhammad.obaid@pacra.com

+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Non-Banking Finance Companies (Jan 17)
- Methodology | Correlation between long-term and short-term rating scale (Jun 17)
- Methodology | Criteria Modifiers (Jun 17)

Related Research

- Sector Study | Modaraba & NBFCs (Apr 18)

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PACRA Maintains Entity Ratings of First Punjab Modaraba

Rating Type	Entity	
	Current (30-Jun-2018)	Previous (30-Dec-2017)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflects the sustained performance and continuous support of the sponsor (The Bank of Punjab). The Modaraba has witnessed improvement in its standalone business profile exhibited in its performance trend; achieving profitability is a key highlight over the last couple of quarters. The Modaraba managed to expand its earning assets, mainly lending book wherein vehicle financing contributed majorly. During the year Modaraba also engaged itself in the new home decor scheme. The key sponsor – The Bank of Punjab (BoP) – a bank majority owned by the Government of Punjab, continued its support in the form of a sustainable funding base, which the management expects to increase to fund envisaged growth plans. The management is in the process of generating the new avenues of funding. By management endeavors, the infected portfolio is gradually reducing and further efforts are being made for recoveries. During FY18 further recoveries, as planned, are likely to support Modaraba’s performance in the future. The management’s efforts in particular to build strong financing book are expected to yield sustainable results; however, materialization is contingent upon the timely implementation. The ratings are dependent on relative positioning of the Modaraba in the sector and sustained asset quality of the new portfolio: achieving bottom line profitability is important. Meanwhile, any weakening in the financial profile or support from the sponsor could have negative implications.

About the Entity

First Punjab Modaraba (FPM), established in 1992, is a perpetual, multipurpose Modaraba, is listed on Pakistan Stock Exchange. Modaraba is engaged in financing through Ijarah, Morabaha and Diminishing Musharaka. Punjab Modaraba Services (Pvt.) Limited (PMSL), the wholly owned subsidiary of The Bank of Punjab (BoP), is the management company of FPM. PMSL has ~39% stake in the modaraba.

BoD comprises six members including CEO of FPM, among them, there is one independent director. Majority represents the Bank of Punjab. Mr. Khalid Tirmizey, the deputy CEO of BOP, is the chairman of the board, having over 41 years of experience working at several leading commercial banks in the country. Mr Aamir Malik, CEO of Modaraba, has over 25 years of banking experience in different management positions, is supported by a adequate management team.

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.