



**Date**

27-Dec-19

**Analyst**

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**Applicable Criteria**

- Methodology | MFI | Jun-19
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-19
- Criteria | Rating Modifier | Jun-19

**Related Research**

- Sector Study | DFIs | Dec-19

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

Rating Type	Entity	
	Current (27-Dec-19)	Previous (28-Jun-19)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The ratings of Pakistan Microfinance Investment Company Limited (PMIC) reflect its strong 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 (PPAF & Karandaaz Pakistan). Terms for subordinated loan for 15 million Euros from KfW are close to finalization, which will further augment the capitalization of the institution. PMIC is distinctly positioned as an apex lending institution for the micro finance sector, in addition to its role to develop the sector and facilitate the evolution of the eco-system. PMIC’s target market includes 37 institutions - 26 NBMFIs and 11 MFBs. Of these, the company has developed relationships with 22 MFPs, including 1 MFB and the loan portfolio stood at PKR 22.6bln as of end-Sep’19. The company has been able to consistently grow its lending portfolio since inception. To hold asset quality is of utmost importance in the wake of pending risks to the customer universe. The company is focusing on Microfinance Plus initiatives targeted towards agri-value chains, enterprise development, micro-insurance, renewable energy, among others. Several initiatives are underway in this regard, which will serve to strengthen client capacities and help manage PMIC’s balance sheet risk. Funding sources comprises, subordinated loans from sponsors and commercial borrowings which will support balance sheet growth for the coming years. The company's operations have been designed on efficient lines with a strong control environment. A robust business model well supplemented by strong institutional structure and risk environment alongside operational efficiencies are yielding healthy revenues.

The ratings are dependent on maintaining portfolio quality while expanding loan portfolio. Up scaling of the Microfinance Plus Products and stability in the experienced management team, 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. The sponsor support is also a positive factor for the ratings.

**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. The board is chaired by Mr. Naveed A. Khan, a former leading banker, carrying more than 30 years of experience at various senior positions. 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, banking 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.