

Date

20-Jun-25

Analyst

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Applicable Criteria

- Methodology | Financial Institution Rating | Oct-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-25
- Methodology | Rating Modifiers | Apr-25

Related Research

- Sector Study | Development Financial Institutions (DFIs) | Jun-25

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PACRA Maintains Entity Ratings of Pakistan Microfinance Investment Company Limited

Rating Type	Entity	
	Current (20-Jun-25)	Previous (21-Jun-24)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	Yes	Yes

The ratings of Pakistan Microfinance Investment Company Limited (PMIC) reflect its strong institutional profile as the leading wholesale lender to myriad microfinance providers. These ratings are underpinned by a sustainable, impact-driven business strategy focused on enhancing financial inclusion, empowering marginalized communities, and supporting inclusive economic growth. PMIC benefits from the backing of strong institutional sponsors, including the Pakistan Poverty Alleviation Fund (PPAF) and Karandaz Pakistan, with additional support from KfW. Together, these sponsors reinforce the company's financial stability and its developmental mandate. PMIC's target market comprises 46 institutions—34 non-bank MFIs and 12 microfinance banks (MFBs). At end-March 2025, the company's lending portfolio stood at PKR 30.1bln (compared to PKR 31.9bln in CY2024), serving 23 MFIs and 4 MFBs. Non-performing loans (NPLs) amounted to PKR 260.7mln, reflecting a low infection ratio of approximately 0.8%. In CY2024, the portfolio demonstrated a diversified sectoral allocation: trade and manufacturing (39.0%), services (34.0%), agriculture and livestock (22.0%), with the remaining 5.2% directed toward education, renewable energy, housing, and consumption. This distribution highlights PMIC's focus on productive sectors. Looking ahead, PMIC anticipates healthy portfolio growth over the next two years. This expansion is expected to be supported by prudent credit practices aimed at preserving asset quality, along with deeper engagement with existing partners and the onboarding of new clients within its target market. To enhance financial inclusion, PMIC has introduced Shariah-compliant financing. Furthermore, to support sector liquidity, the development of innovative financial products is currently underway. The Company has instituted a structured risk management framework, which includes, among other elements, an internal credit risk rating mechanism for borrowers, aligned with their credit history and risk absorption capacity, as well as formal site visits by the PMIC team to assess real-time operational status and performance efficiency. The presence of a tier-wise loan approval mechanism, supported by predefined approval criteria for the Management Risk Committee and the Board Risk Committee, has supplemented the Company's risk management framework. PMIC has entered into a risk participation agreement with the U.S. International Development Finance Corporation (DFC) on new disbursements, with a maximum risk coverage of USD 30mln. Additionally, negotiations with other development agencies are currently underway. These arrangements are expected to augment the Company's overall risk appetite and support future portfolio growth. PMIC's funding profile is anchored in a mix of commercial bank borrowings and subordinated loans extended by its institutional sponsors. There is visible stress on a few accounts, which the PMIC management is actively pursuing. However, management anticipates an improvement in the financial health of these accounts, supported by easing pressure on macroeconomic indicators. Should this materialize as expected, appropriate adjustments to the Company's rating modifiers will be considered.

The ratings are dependent on the Company's ability to maintain portfolio quality, upscale its microfinance product offerings, and retain a stable and experienced management team. Sustaining credit quality and maintaining a strong control environment remain critical to the Company's performance and, consequently, to the ratings.

About the Entity

PMIC, incorporated in August 2016 as an NBFC under the NBFC Rules 2003 and NBFC Regulations 2008. The shareholding structure comprises PPAF with 49%, Karandaz with 38%, and KfW with 13%. The board of PMIC comprises six members, having one independent director, the Chairman, Mr. Naveed A. Khan. Mr. Yasir Ashfaq has been serving as the CEO of the Company since August 2017 and has nearly three decades of professional experience. Ms. Neelum Amir rejoined the Company as CFO in February 2025 and possesses almost two decades of experience.

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.