

Date

05-Jun-26

Analyst

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Applicable Criteria

- Methodology | Financial Institution Rating | Oct-25
- Methodology | Rating Modifiers | Apr-26
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-26

Related Research

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

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PACRA Maintains Entity Ratings of Pakistan Microfinance Investment Company Limited | RW Removed

Rating Type	Entity	
	Current (05-Jun-26)	Previous (20-Jun-25)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	Yes

The ratings reflect Pakistan Management Investment Company Limited's ("PMIC" or "the Company") unique position as Pakistan's apex wholesale microfinance institution, its strong policy relevance within the national financial inclusion framework, and the continued support derived from its development-oriented sponsors, namely Pakistan Poverty Alleviation Fund (PPAF), Karandaz Pakistan, and KfW Development Bank. The ratings incorporate PMIC's established franchise within the domestic microfinance ecosystem, sound governance framework, and adequate capitalization profile. PMIC's business model remains centered on providing wholesale funding, sector development support, and specialized financing solutions to microfinance institutions and other eligible financial service providers. During CY25, the gross financing portfolio expanded, demonstrating continued growth in core lending activity despite persistent stress within the microfinance sector. Stage-3 financing exposures declined to PKR ~258.66mln (CY24: PKR ~481.16mln), translating into a lower infection ratio. The portfolio remains concentrated in institutions operating within the financial inclusion value chain, consistent with the Company's developmental mandate. The ratings derive strength from PMIC's relatively mature risk management architecture, which encompasses internal borrower risk-rating methodologies, formal watchlist protocols, periodic portfolio reviews, covenant monitoring mechanisms, field-level due diligence, and multilayered approval authorities. Risk governance is further reinforced through active oversight by the Management Risk Committee, Board Risk Committee, and Asset Liability Committee. A key credit consideration has historically been the performance of a limited number of stressed counterparties operating within a challenging sector environment. Over the review period, the uncertainty associated with these exposures moderated, underpinned by structured restructuring arrangements, prudent provisioning strategies, credit enhancements, fortified monitoring measures, and improved borrower-specific remediation plans. While these exposures continue to warrant close monitoring, their risk implications are increasingly viewed within the context of PMIC's broader risk management framework, provisioning buffers, and capital position. The risk profile has also benefited from the expansion of its credit enhancement framework. PMIC has strengthened its risk-sharing capacity through a USD 30 million facility with the U.S. International Development Finance Corporation, a USD 30mln arrangement with British International Investment, and a PKR 2bln facility with the National Credit Guarantee Company Limited. These arrangements enhance portfolio resilience, support prudent balance sheet expansion, and partially mitigate concentration risk through transfer of credit exposure to highly rated counterparties. Financial performance remained resilient during CY25. The Company reported a profit after tax of ~PKR 783mln (CY24: ~PKR 704mln), while capitalization strengthened, with equity increasing to ~PKR 10.4bln (CY24: ~PKR 9.5bln). Receipt of the second tranche of KfW's subordinated loan (USD 5.8mln) and successful mobilization of PKR 2.5bln through a Commercial Paper issuance underscore strong shareholder and market confidence in PMIC and enhance its capacity to support future growth and sector development.

Going forward, the ratings remain contingent on the ability to sustain portfolio quality while pursuing growth objectives, maintain adequate capitalization and liquidity buffers, preserve prudent underwriting standards, and further diversify its funding and borrower base. Stability in previously stressed exposures and successful execution of risk-sharing strategy remain important considerations.

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 38%, and KfW with 13%. The board comprises seven members. Mr. Yasir Ashfaq has been serving as the CEO of the Company since August 2017 and has nearly three decades of professional 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.