



Date
29-Jun-2018

Analysts
Jhangeer Hanif
jhangeer@pacra.com
+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Non-Banking Finance Companies (Jan 17)

Related Research

- Sector Study | Modaraba & NBFCs (Apr 18)

PACRA Downgrades the Entity Ratings of KASB Modarba

Rating Type	Entity	
	Current (29-Jun-2018)	Previous (09-Nov-2017)
Action	Downgrade	Maintain
Long Term	BBB	BBB+
Short Term	A2	A2
Outlook	Negative	Stable
Rating Watch	-	-

The ratings reflect KASBM's adequate financial profile emanating from low-leveraged capital structure, depicting maturing COM's. The Modaraba starts making losses. In FY16, SECP restricted KASBM from raising new CoMs. This decision is subject to reconsideration depending on the performance of the Modaraba in FY17 but still pending with SECP. Owing to this restriction, KASBM has experienced contraction in its COMs (9MFY18: PKR 56mln; FY17: PKR 100mln; FY16: PKR 425mln). Although, KASBM has met all the maturities of COM's. The Modaraba witnessed squeeze in its assets, with a consequent impact on performance of the Modaraba. Liquidity is being managed. However, KASBM's ability to recover from losses would be important. During the year, Modaraba charged provisioning against the doubtful receivables which ultimately impact the bottom line. To meet the funding challenge though, the management is also controlling its cost structure within bound. The management has managed the deposit maturities successfully and remained compliant despite the liquidity constraints being faced by the Modaraba. Modaraba's more focus is towards more funding lines from banks and search for new businesses for Modaraba to survive.

The ratings are dependent on the KASBM's ability to maintain its asset quality and improve its profitability. Vigilance in liquidity management remains important. Taking new funding lines and tapping new stable revenue stream to improve business profile is important.

About the Entity

KASB Modaraba (KASBM) established in 1990, is a perpetual, multipurpose Modaraba with a network of 1 head office and 3 branches. The Modaraba, listed on Pakistan Stock Exchange is primarily engaged in financing through Ijarah, Morabaha, Musharaka, Diminishing Musharaka and Modaraba. Modaraba's management company is KASB Invest (Private) Limited (KIPL). Modaraba's management company is KASB Invest (Private) Limited (KIPL). KIPL is majorly owned by Mr. Muzaffar Ali Shah Bukhari holding 85.71% shareholding of the Company.

BOD of KIPL comprises four members including the CEO of KASB Modaraba. Mr. Muzaffar Ali Shah Bukhari is the chairman of the board, Audit and HRR Committees are the two sub-committees of the Board, chaired by Mr. Farrukh Ansari (an independent director). Aftab Afroz Mahmoodi is the CEO. He has over all 32 years of experience with 22 years in the financial sector. He is supported by a Competent and experienced management team.

Disclaimer

This press release is being transmitted for the sole dissemination through print media. The press release is in full or in part without meaning or context then due credit to PACRA

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.

