



Date

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Analyst

Ahmad Saad Siddiqi
ahmad.saad@pacra.com
+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | MFI | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

Related Research

- Sector Study | Microfinance | Sep-20

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PACRA Maintains Entity Ratings of NRSP Microfinance Bank Limited

Rating Type	Entity	
	Current (30-Apr-21)	Previous (23-Oct-20)
Action	Maintain	Maintain
Long Term	A	A
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	YES	YES

NRSP Bank reflects presence across the country with about 154 branches in and around 53 districts. The geographical spread provides strength to the bank. NRSP MFB has been serving increasing number of customers and has cemented its position in the industry amongst the top five players of the microfinance sector in terms of its financing portfolio. During CY20, the Bank recorded its GLP at PKR 29,289mln and a customer base of 343,619 in comparison to the GLP of PKR 27,769mln and slightly above 350,000 customer base in CY19. While the advances book reflects muted growth, there is consolidation in the customer base. This reflects a cautionary approach adopted by the Bank in the wake of COVID-19. The Bank's market share is at 9% in the microfinance sector in terms of GLP. Expansion in GLP has been supplemented by sustained upswing in geographical outreach and footprint through branch network expansion which has progressively grown from 67 branches in CY15 to 154 branches as of CY20. The current profitability indicators depict quite healthy improvement. The Bank booked a net profit of PKR 793mln in 2020 as against PKR 84mln in the comparative year. This was primarily enabled by expansion in net interest income. Hence, despite low level of provisioning, net mark-up income after provisioning grew significantly. The sponsors have extended support, both in technical and financial forms, to the Bank historically with expression of explicit intention from NRSP to provide financial support in form of capital injection, as and when required. KfW, in the past, has provided support in area of capacity building while IFC has contributed towards international exposure visits.

The ratings are dependent upon the bank's ability to aptly combat the emerging risks under the current scenario in order to keep its business and financial risk profile intact. Meanwhile, any further contraction in net liquidity book or erosion in CAR would have a negative impact on the ratings.

About the Entity

NRSP Microfinance Bank Limited was incorporated as a public limited unlisted Company in October 2008 under Section 32 of the repealed Companies Ordinance, 1984 (now Companies Act 2017). The Bank obtained license from SBP on February 18, 2009 to operate, on a nationwide basis, as a microfinance bank under Microfinance Institutions Ordinance, 2001. The Bank was established to mobilize funds for providing microfinance banking and related services to low income, underserved and marginalized segments of the society for mitigating poverty and promoting social welfare through providing access to financial markets at micro level. National Rural Support Programme (NRSP) is a majority shareholder with shareholding of ~52%. Other institutional shareholders include International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW), Acumen Fund USA and Acumen Capital Markets LLP.

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.