



Date

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Applicable Criteria

- Methodology | Microfinance Institution Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

Related Research

- Sector Study | Microfinance | Sep-21

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PACRA Maintains Entity Ratings of NRSP Microfinance Bank Limited | Assigns Negative Outlook

Rating Type	Entity	
	Current (29-Apr-22)	Previous (30-Apr-21)
Action	Maintain	Maintain
Long Term	A	A
Short Term	A1	A1
Outlook	Negative	Stable
Rating Watch	Yes	Yes

NRSP Bank reflects good presence across the country with about 150 branches in and around 10 regions. 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 players of the microfinance sector with ~6.9% share in total gross loan portfolio. Overall performance indicators reflected deteriorated outlook in CY21. Consequently, the Bank's GLP witnessed a slight decline. Asset quality impaired significantly, as deferred book to total GLP was sizeable. Further challenges in recovery and markup suspension led to decreased markup earned. Bottom line of the Bank decreased manifold, depicting a loss of PKR 1,231mln (Profit in CY20: PKR 793mln). Management's commitment to recoup the asset health and consolidate the Bank's position within the stipulated time is an acute necessity. Moreover, since the projected outlook of the Bank indicates absorbing significant cash losses, timely yet matching sponsor support through Equity injections is essential. 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. Further injection of funds is expected in coming years. Though SBP's Relief Packages have come handy to the sector in protecting the credit quality of the players during the previous waves, the out-turn of the situation, and its relative impact on the risk profiles of industry players, including NRSP Microfinance Bank, is yet to unfold in the days to come.

The ratings are dependent upon the out-turn of management's plans to steer the risk profile of the Bank towards improved trajectory. Timely Sponsor Support is imperative. The assigned outlook is reflective of the short-term challenges that the Bank's business and financial risk profile are facing, particularly reflecting in high infection ratio, constrained profitability and erosion in CAR. "Watch" reflects the need to oversee the risk profile of the Bank against unavoidable challenges, going forward.

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 ~57%. Other institutional shareholders include International Finance Corporation (IFC), PROPARCO and Acumen Fund USA.

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.