

Press Release

VIS Maintains Entity Ratings NRSP Microfinance Bank Limited

Karachi, April 29, 2021: VIS Credit Rating Company Limited (VIS) has maintained the entity ratings of NRSP Microfinance Bank Limited (NRSPB) at 'A/A-1' (Single A/A-One). The medium to long-term rating of 'A' denotes good credit quality, with adequate protection factors. Moreover, risk factors may vary with possible changes in the economy. The short-term rating of 'A-1' denotes high certainty of timely payment, liquidity factors are excellent and supported by good fundamental protection factors. Outlook on the assigned rating has been revised from 'Rating Watch - Negative' to 'Rating-Watch - Developing' status. The previous rating action was announced on April 29, 2020.

The assigned ratings of NRSPB incorporate presence of reputable sponsors carrying reasonable experience and understanding of the microfinance sector. Sponsor's commitment has been demonstrated in the previous years in the form of both technical and financial support. VIS anticipates this support to continue in case the need arises. The ratings factor in largely maintained loan book during FY20, as the bank scaled-down disbursement targets in response to coronavirus-induced decline in economic activity and loan deferment and restructuring scheme of the State Bank of Pakistan (SBP). The asset quality of the bank continued to remain under pressure with elevated infection levels while the current macroeconomic indicators has further amplified the credit risk. Impact on asset quality indicators on the largely unsecured loans portfolio is yet to be fully reflected as the bank deferred/rescheduled considerable portion of its loan book in accordance with the regulatory relaxation. Initiatives taken by the bank to curtail infection in future disbursements include conservative growth targets, increased focus on gold and house lending, and reduction in the concentration of agri inputs and livestock loans. Bottom-line of the bank was mainly supported by continued booking of markup on rollover portfolio, improvement in markup spreads, and rationalization of operating expenses. Incremental deposits were primarily invested in government securities and bank placements to beef up liquidity. Given largely stable risk weighted assets to an extent supported by advances restructured under regulatory relief and enhanced equity base, CAR of the bank improved by end-FY20. The bank is in the process of issuing Tier II subordinated loan to support future growth and maintain capital buffer. In view of continued uncertainty and severity of impact of the pandemic on the economy in general and microfinance sector in particular, the outlook on the ratings will remain vulnerable.

For further information on this rating announcement, please contact Syed Fahim Haider at 042-35723411-13 (Ext: 8006) or the undersigned at 021-35311861-70 (Ext. 306) or email at info@vis.com.pk

Faryal Faheem Ahmed
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Applicable rating criterion: Micro Finance Banks (June 2019)
<https://www.vis.com.pk/kc-meth.aspx>

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