



Date

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Applicable Criteria

- Methodology | Corporate Ratings | Jun-19
- Methodology | MFI | Jun-19

Related Research

- Sector Study | Microfinance | Sep-19

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PACRA Maintains Entity Ratings of NRSP Microfinance Bank Limited

Rating Type	Entity	
	Current (28-Oct-19)	Previous (29-Apr-19)
Action	Maintain	Maintain
Long Term	A	A
Short Term	A1	A1
Outlook	Negative	Negative
Rating Watch	-	-

The ratings incorporate the bank's placement in the Microfinance Sector, as witnessed from its ~13% share in MFBs' gross loan portfolio (GLP) and ~11% in the MFBs' deposits. The design of the lending book keeps the concentration high wherein a considerable portion of the loan book is dedicated to crop-linked loans, particularly to sugarcane crops; this, coupled with volatility in system indicators, has significantly impacted the bank's credit quality in 1HCY19, resulting in a considerable rise in infection ratio with a sizable quantum of written-off loans. The management has represented that, towards the end of the calendar year, the bank will be making profits, as the predominant wave of NPLs is over. Management's strategic focus, therefore, calls for a shift towards consolidating the bank's position in the short horizon, including bringing diversity to the product portfolio and exercising a cautious lending approach. Additionally, prudent management perspective is necessitated to keep the bank's capital adequacy in check; augmentation of the same is desirable. The financial risk profile is reflected by reduced on-balance sheet liquidity and bottom-line losses. The ratings, however, take comfort from the association of NRSP Microfinance Bank with the National Rural Support Programme, the major shareholder, and with the three foreign development organizations - IFC, Acumen, and KfW. The major sponsor has expressed explicit intention to support the bank in case there is a need for capital injection.

The ratings capture the need to arrest the deterioration in credit quality and at the same time, sustain - indeed - improve the capital adequacy. The ratings are dependent on the bank's ability to sustain its competitive position in the MFBs market. Reviving asset health is critical.

About the Entity

NRSP Microfinance Bank Limited (NRSP Bank) commenced operations in Mar'11 as a national level microfinance bank. The bank is the majority (~52%) owned by the National Rural Support Program (NRSP). Kreditanstalt für Wiederaufbau (KfW), International Finance Corporation (IFC), and Acumen each having ~16% shareholding in the Bank. With a network of 143 branches, the bank has its head office in Bahawalpur, a key district in Southern Punjab; placing it closer to its target market.

NRSP's board comprises 3 representatives from NRSP, 1 nominee each from IFC, KfW, and Acumen, 2 independent directors and the CEO. Mr. Zahoor Hussain Khan - President since 2011 – an experienced microfinance banker. He is assisted by a qualified management team

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.