



Rating Action

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PACRA MAINTAINS ENTITY RATINGS OF MODARABA AL MALI

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Modarba Al Mali (MAM) at A- (Single A minus) and A2 (A two) respectively. The ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong.

The ratings reflect low risk financial profile of Modaraba Al Mali owing to largely equity based capital structure. Modaraba is gradually building up its financing book, mainly deploying funds in vehicle financing. BankIslami Modaraba investments Limited; the management company of MAM facilitates modarabas' growth via recent musharakh financing. Although Ijarah book is increasing, MAM's non-additive and fully provided non-performing book depicts management's cautious strategy.

Moreover, revival of gasoline station adds value into the non-funding side of modaraba. The management would maintain equity based capital structure; however funding support from the management company and sponsor bank would be available.

The ratings are dependent on the management's ability to ensure consistent improvement in its performance. Maintaining healthy asset quality while maintaining its current equity based capital structure is important to maintain the ratings at current level.

About MAM: Modaraba Al-Mali (MAM), incorporated in 1987, is a perpetual multi-purpose Modaraba listed on Pakistan Stock Exchange. BankIslami Pakistan Limited owns BankIslami Modaraba Investments Limited, the management company of the Modaraba, which has ~13% equity stake in MAM as at end-Dec 15.

BankIslami, after its acquisition of KASB Bank Limited, is placed at Rating Watch (previous rating : Single A plus) by PACRA. It is a leading Islamic bank with 317 branches at end-Jun 15.

MAM's Board of Directors comprises eight members - whereas one position is vacant, and is dominated by employees of BIPL, including the President & CEO of the bank. Apart from the nominees of BIPL, there are two independent members on the board. Mr.Aziz Adil, the CEO of the modaraba, carries around two decades of diversified experience in the field of Islamic Finance. He is assisted by a qualified team.

Applicable Criteria and Related Research

- Modaraba - Viewpoint | Sep-15
- Non-Banking Finance Companies Methodology

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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.

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