

# Press Release

## VIS Reaffirms Entity Ratings of Sindh Modaraba

Karachi, February 22, 2019: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Sindh Modaraba (SM) at 'A+/A-1' (Single A Plus/A-One). The long term rating signifies good credit quality with adequate protection factors. Risk may vary slightly from time to time because of economic conditions. Short term rating of 'A-1' depicts high certainty of timely payment where liquidity factors are excellent and supported by good fundamental protection factors. Outlook on the assigned ratings is 'Stable'. Previous rating action was announced on December 29, 2017.

The assigned ratings of Sindh Modaraba (SM) derive strength from its indirect ownership by the Government of Sindh (GoS) through Sindh Modaraba Management Limited. Strong sponsor support has been demonstrated through both financial and technical assistance. The company benefits from the experience of its Board members. In line with the Board's conservative stance, financing portfolio of the company has increased at a slow pace with sound asset quality indicators. Management anticipates a similar trend in portfolio growth in order to keep infection at minimal levels. Ratings will be contingent on continued maintenance of strong quality of assets.

Capitalization indicators of SM are considered sound as the company has not mobilized any interest bearing debt. Along with a sizeable equity, SM has obtained an interest free loan of Rs. 500m from SMML, which is repayable at the discretion of SM. Liquidity profile of the company is manageable given the sizeable proportion of liquid assets in relation to total liabilities.

With a higher financing portfolio vis-à-vis last year, the company was able to earn an improved top line. In the backdrop of an increasing interest rate scenario, the company anticipates revenue base of SM to grow. Efficiency ratio has also remained at manageable levels for the company over the years. Management anticipates profitability levels to further improve with ongoing prudent underwriting. Profitability indicators will need to be maintained to be commensurate with the assigned rating.

For further information on this rating announcement, please contact Javed Callea (Ext: 201) or the undersigned (Ext: 207) at 35311861-70 or fax to 35311872-3.

Jamal Abbas Zaidi  
Advisor

Applicable Rating Criteria: Non-Bank Financial Companies (October 2017)  
<https://www.vis.com.pk/kc-meth.aspx>

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