

# Modaraba & NBFCs

## Sector Overview



March 2019

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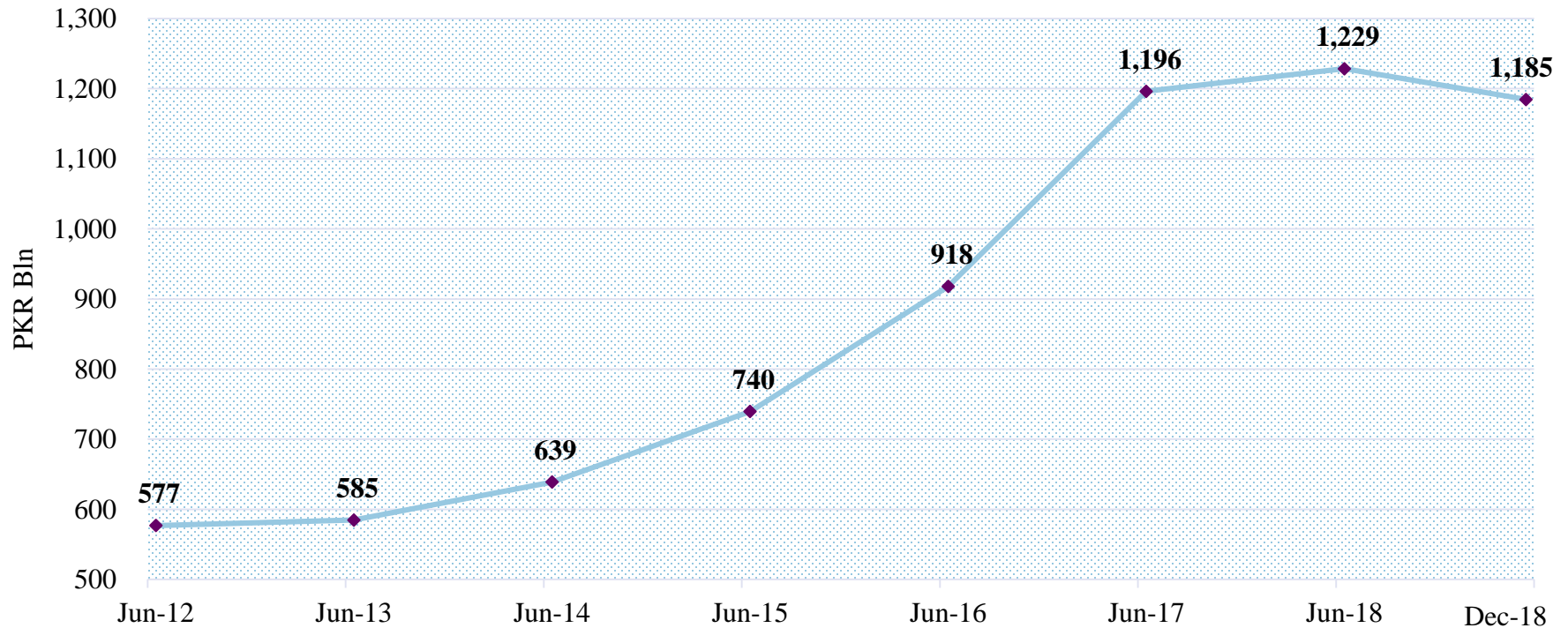
# Breakup of NBFIs Assets

Breakup of NBFIs' Assets									
Sector	As at end-Dec 18			As at end-Jun 18			As at end-Jun 17		
	No of. Licenses	Total Assets (PKR bln)	Assets Share	No of. Licenses	Total Assets (PKR bln)	Assets Share	No of. Licenses	Total Assets (PKR bln)	Assets Share
<b>Investment Finance Companies</b>	9	58	5%	10	58	5%	9	21	2%
<b>Leasing Companies</b>	7	10	1%	7	10	1%	8	43	4%
<b>Modarabas</b>	28	54	5%	29	53	4%	25	44	4%
Microfinance Institutions	26	110	9%	25	157	13%	21	122	10%
<b>Lending Institutions' Total</b>	<b>70</b>	<b>233</b>	<b>20%</b>	<b>71</b>	<b>279</b>	<b>23%</b>	<b>63</b>	<b>230</b>	<b>19%</b>
Asset Mgt Companies & Investment Advisor	22	37	3%	21	39	3%	22	41	3%
Mutual Funds	195	642	54%	190	679	55%	177	710	59%
Discretionary & Non-Discretionary Portfolios	-	188	16%	-	153	12%	-	147	12%
Pension Funds	19	27	2%	19	27	2%	19	26	2%
REITs	5	52	4%	6	47	4%	1	42	4%
Private Equity Companies & Funds	4	7	1%	4	5	0%	-	-	0%
<b>Investing Institutions' Total</b>	<b>245</b>	<b>952</b>	<b>80%</b>	<b>240</b>	<b>950</b>	<b>77%</b>	<b>219</b>	<b>966</b>	<b>81%</b>
<b>NBFIs' Total</b>	<b>315</b>	<b>1,185</b>	<b>100%</b>	<b>311</b>	<b>1,229</b>	<b>100%</b>	<b>282</b>	<b>1,196</b>	<b>100%</b>

Source: SECP | [Monthly Sector Study](#)

- Investment Finance Companies: Trust Investment Bank's lost its license w.e.f. November 2018.
- Modarabas: BRR Guardian acquired Crescent Modaraba.
- Microfinance Institutions: Tezz Financials started operations post FY18.
- AMC & Investment Advisor: Pak Oman AMCs license wasn't renewed.
- Mutual Funds: 5 new mutual funds were introduced during the period.
- REITs: Orange REIT Management Co's finished operations.

# NBFI | Total Assets | Trend



Source: SECP / [Monthly Sector Study](#)

- In FY17, Total Assets witnessed a surge of 30% YoY underpinned by Micro-finance institutions (PKR ~100bln) and Mutual Funds (PKR ~170bln).
- Mutual fund assets remained under pressure due economic constraints in later half of FY18 – losing its share in Total Assets by 5%.

# Breakup of Deposits

Breakup of Deposits as at end-Dec 18					
Category	PKR in mln				Percentage of Total Deposit
	Leasing Companies	Modarabas	Investment Banks	Total	
Individual	413	1,612	4,106	<b>6,131</b>	40%
Corporate	96	2,875	375	<b>3,346</b>	22%
Trust	10	241	247	<b>498</b>	3%
Govt. Entities	-	-	-	-	0%
Financial Institutions	-	5,405	-	<b>5,405</b>	35%
<b>Total Deposits</b>	<b>519</b>	<b>10,133</b>	<b>4,728</b>	<b>15,380</b>	100%
Share in the Total Deposits	3%	66%	31%	100%	
<b>Total Liabilities</b>	<b>5,372</b>	<b>32,201</b>	<b>23,940</b>	<b>61,513</b>	
Deposit/Total Liabilities	10%	31%	20%	25%	
Breakup of Deposits as at end-Jun 18					
Category	PKR in mln				Percentage of Total Deposit
	Leasing Companies	Modarabas	Investment Banks	Total	
Individual	393	1,735	4,898	<b>7,026</b>	43%
Corporate	96	3,372	702	<b>4,170</b>	26%
Trust	10	329	383	<b>722</b>	4%
Govt. Entities	-	-	441	<b>441</b>	3%
Financial Institutions	-	3,900	10	<b>3,910</b>	24%
<b>Total Deposits</b>	<b>499</b>	<b>9,336</b>	<b>6,434</b>	<b>16,269</b>	100%
Share in the Total Deposits	3%	57%	40%	100%	
<b>Total Liabilities</b>	<b>5,245</b>	<b>29,609</b>	<b>28,545</b>	<b>66,790</b>	
Deposit/Total Liabilities	10%	32%	23%	24%	

Source: SECP / [Monthly Sector Study](#)

\* Equity and liabilities do not include deficit / surplus on revaluation of fixed assets

# Modarabas

# Modarabas | Assets | Active

Sr. No.	Name	Dec-18				Jun-18	Jun-17	Jun-16
		Assets (PKR mln)	% Share	CAGR	Trend	Assets (PKR mln)	Assets (PKR mln)	Assets (PKR mln)
1	First Treet Manufacturing Modaraba	12,770	25%	35%		12,219	8,867	5,191
2	First Habib Modaraba	11,201	22%	16%		10,279	8,367	7,161
3	Allied Rental Modaraba	9,098	18%	8%		9,036	8,361	7,211
4	Orix Modaraba	7,240	14%	11%		6,953	5,962	5,278
5	First Punjab Modaraba	2,094	4%	14%		1,993	1,874	1,427
6	B.R.R. Guardian Modaraba	1,953	4%	-2%		2,082	2,054	2,078
7	Sindh Modaraba	1,563	3%	45%		1,569	1,029	515
8	Orient Rental Modaraba	1,559	3%	7%		1,462		
9	Awwal Modaraba	1,155	2%	3%		1,283	1,184	1,043
10	First Fidelity Leasing Modaraba	390	1%	3%		399	349	357
11	First Imrooz Modaraba	359	1%	2%		415	371	340
12	Habib Metro Modaraba	308	1%	1%		305		
13	Modaraba Al-Mali	258	1%	6%		196	196	219
14	First Tri Star Modaraba	212	0%	0%		213	212	
15	B.F. Modaraba	132	0%	-6%		141	159	158
16	Popular Islamic Modaraba	124	0%	-4%		126	159	141
17	First Pak Modaraba	74	0%	3%		75	70	67
<b>Subtotal - Active Modarabas</b>		<b>50,491</b>	<b>100%</b>			<b>48,747</b>	<b>39,214</b>	<b>31,187</b>
<b>% Growth</b>						24%	26%	
Passive Modarabas		3,906	7%	-11%		4,189	4,905	5,534
<b>Total</b>		<b>54,397</b>				<b>52,936</b>	<b>44,119</b>	<b>36,722</b>
<b>% Growth</b>						20%	20%	

- Top 6 Modarabas holding ~82% of total assets.
- Cautious growth of 2% in six months (FY18: 20% FY17: 20%).
- 88% of total growth over 3.5 years – underpinned by First Treet, First Habib, Allied Rental and ORIX.

Source: PSX/ Financials

Criteria | Active & Passive Modarabas | Average CAGR of Assets is below 3% AND Average ROE is below 4%



# Modarabas | Assets | Passive

Sr. No.	Name	Dec-18				Jun-18	Jun-17	Jun-16
		Assets (PKR mln)	% Share	CAGR	Trend	Assets (PKR mln)	Assets (PKR mln)	Assets (PKR mln)
1	First Equity Modaraba	648	17%	-1%		660	751	664
2	First UDL Modaraba	583	15%	-13%		696	857	880
3	KASB Modaraba	490	13%	-18%		376	600	901
4	First Prudential Modaraba	490	13%	-1%		495	515	512
5	First Paramount Modaraba	441	11%	-4%		444	466	505
6	Trust Modaraba	384	10%	-1%		377	390	396
7	First Al-Noor Modaraba	305	8%	-7%		316	351	376
8	First IBL Modaraba	223	6%	0%		224	228	224
9	First Elite Capital Modaraba	184	5%	0%		191	186	182
10	First National Bank Modaraba	105	3%	-50%		356	508	841
11	Unicap Modaraba	52	1%	1%		54	52	52
<b>Total</b>		<b>3,906</b>	<b>100%</b>			<b>4,189</b>	<b>4,905</b>	<b>5,534</b>
<b>% Growth</b>						-15%	-11%	

Source: PSX/ [Financials](#)

Criteria | Active & Passive Modarabas | Average CAGR of Assets is below 3% AND Average ROE is below 4%



# Modarabas | Equity | Active

Sr. No.	Name	Dec-18				Jun-18			Jun-17			Jun-16		
		Equity (PKR Mln)	Equity Trend	Paid up Capital (PKR Mln)	Equity/Assets	Equity (PKR Mln)	Paid up Capital (PKR Mln)	Equity/Assets	Equity (PKR Mln)	Paid up Capital (PKR Mln)	Equity/Assets	Equity (PKR Mln)	Paid up Capital (PKR Mln)	Equity/Assets
1	Allied Rental Modaraba	5,227		2,200	57%	5,151	2,000	57%	4,659	1,755	56%	4,382	1,755	61%
2	First Habib Modaraba	3,339		1,008	30%	3,444	1,008	34%	3,472	1,008	41%	3,316	1,008	46%
3	First Treet Manufacturing Modaraba	3,049		1,956	24%	4,069	1,956	33%	4,514	1,956	51%	4,461	1,956	86%
4	B.R.R. Guardian Modaraba	1,359		864	70%	1,392	864	67%	1,264	780	62%	1,057	780	51%
5	Awwal Modaraba	1,117		100	97%	1,221	1,000	95%	1,160	1,000	98%	1,028	1,000	99%
6	ORIX Modaraba	1,077		454	15%	1,148	454	17%	1,150	454	19%	1,176	454	22%
7	Sindh Modaraba	1,014		450	65%	1,016	450	65%	984	450	96%	473	450	92%
8	Orient Rental Modaraba	821		750	53%	822	750	56%						
9	First Fidelity Leasing Modaraba	340		264	87%	357	264	89%	324	264	93%	332	264	93%
10	Habib Metro Modaraba	308		300	100%	304	300	100%						
11	Modaraba Al-Mali	230		184	89%	168	184	86%	162	184	83%	170	184	77%
12	First Tri Star Modaraba	200		212	94%	209	212	98%	207	212	97%			
13	First Punjab Modaraba	196		340	9%	203	340	10%	192	340	10%	182	340	13%
14	B.F. Modaraba	132		75	100%	131	75	93%	154	75	97%	154	75	98%
15	First Imrooz Modaraba	113		300	31%	135	30	32%	212	30	57%	140	30	41%
16	Popular Islamic Modaraba	83		100	67%	81	100	65%	79	100	49%	74	100	52%
17	First Pak Modaraba	62		125	84%	63	125	83%	62	125	89%	60	125	89%

**Total / Average - Active**      **18,664**      **9,682**      **63%**      **19,913**      **10,112**      **64%**      **18,595**      **8,734**      **67%**      **17,004**      **8,522**      **66%**

**% Change**      -6%      -4%      7%      16%      9%      2%












In-Effective Modarabas	3,043		3,972		3,044	3,554		3,404	3,539		3,404	3,539	
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**Total / Average - All**      **21,707**      **13,654**      **22,957**      **13,666**      **21,999**      **12,273**      **20,408**      **12,061**

- 41% of total Modarabas exceeding the average Debt/Equity ratio of 37%.
- Highly Leveraged Modarabas include (a) First National Bank 110%, (b) First Punjab 91%, (c) ORIX 85%.


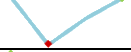

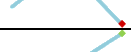






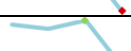
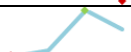




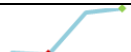
Source: PSX/ [Financials](#)

# Modarabas | Equity | Passive

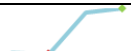
Sr. No.	Name	Dec-18				Jun-18			Jun-17			Jun-16		
		Equity (PKR Mln)	Equity Trend	Paid up Capital (PKR Mln)	Equity/Assets	Equity (PKR Mln)	Paid up Capital (PKR Mln)	Equity/Assets	Equity (PKR Mln)	Paid up Capital (PKR Mln)	Equity/Assets	Equity (PKR Mln)	Paid up Capital (PKR Mln)	Equity/Assets
1	First Equity Modaraba	605		524	93%	614	524	93%	657	524	87%	626	524	94%
2	First UDL Modaraba	486		290	83%	588	264	84%	721	264	84%	643	264	73%
3	KASB Modaraba	426		872	87%	275	481	73%	391	481	65%	389	481	43%
4	First Prudential Modaraba	424		872	86%	421	872	85%	452	872	88%	452	872	88%
5	Trust Modaraba	307		298	80%	306	298	81%	315	298	81%	310	298	78%
6	First Al-Noor Modaraba	263		210	86%	267	210	84%	293	210	83%	333	210	89%
7	First Paramount Modaraba	205		138	46%	213	138	48%	213	138	46%	210	138	42%
8	First IBL Modaraba	185		217	83%	189	217	84%	183	202	80%	179	202	80%
9	First Elite Capital Modaraba	120		113	65%	128	113	67%	125	113	67%	130	113	72%
10	Unicap Modaraba	32		186	61%	34	186	63%	39	186	75%	43	186	83%
11	First National Bank Modaraba	(11)		250	-10%	8	250	2%	16	250	3%	88	250	10%
<b>Total / Average</b>		<b>3,043</b>		<b>3,972</b>	<b>69%</b>	<b>3,044</b>	<b>3,554</b>	<b>70%</b>	<b>3,404</b>	<b>3,539</b>	<b>69%</b>	<b>3,404</b>	<b>3,539</b>	<b>68%</b>
<b>% Change</b>		<b>0%</b>		<b>12%</b>		<b>-11%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>				

Source: PSX/ [Financials](#)

# Modarabas | Profitability | Active

Sr. No.	Name	Dec-18			Jun-18		Jun-17		Jun-16	
		Profit (PKR mln)	ROE	Trend	Profit (PKR mln)	ROE	Profit (PKR mln)	ROE	Profit (PKR mln)	ROE
1	Allied Rental Modaraba	277	10.6%		395	7.7%	458	9.8%	294	10.5%
2	First Habib Modaraba	149	8.9%		290	8.4%	295	8.5%	298	8.9%
3	Orient Rental Modaraba	51	12.4%		72	8.7%				
4	Awwal Modaraba	43	7.7%		184	15.0%	154	13.3%	28	15.0%
5	Orix Modaraba	42	7.8%		120	10.5%	128	11.1%	173	10.9%
6	Sindh Modaraba	32	6.4%		52	5.2%	26	2.7%	21	5.6%
7	First Punjab Modaraba	9	9.4%		29	14.1%	28	14.5%	28	15.3%
8	B.R.R. Guardian Modaraba	4	0.6%		65	4.7%	170	13.4%	47	16.1%
9	Modaraba Al-Mali	4	3.4%		12	6.9%	7	4.0%	5	3.8%
10	First Tri Star Modaraba	2	2.0%		2	1.1%	2	1.0%		
11	Habib Metro Modaraba	2	1.0%		4	1.3%				
12	Popular Islamic Modaraba	1	3.3%		3	3.2%	5	5.8%	(56)	6.2%
13	First Pak Modaraba	1	3.9%		2	3.5%	3	4.3%	0	4.5%
14	B.F. Modaraba	1	1.4%		4	2.8%	16	10.3%	10	10.3%
15	First Fidelity Leasing Modaraba	0	0.1%		33	9.3%	(8)	-2.5%	(10)	-2.5%
16	First Imrooz Modaraba	(5)	-8.6%		31	22.7%	33	15.7%	42	23.8%
17	First Treet Manufacturing Modaraba	(1,020)	-66.9%		(357)	-8.8%	205	4.5%	244	4.6%
<b>Total / Average - Active</b>		<b>(405)</b>	<b>0.2%</b>		<b>940</b>	<b>6.8%</b>	<b>1,520</b>	<b>7.8%</b>	<b>1,125</b>	<b>9.5%</b>
<b>% Change</b>		-143%			-38%		35%			

- Continuous decline in profitability.
- During 1HF19, Only 7 Modarabas earned profit of PKR 10mln or above.
- First Treet Manufacturing Modaraba - battery segment spin off to a separate Company (Treet Battery Limited) under scheme of demerger.

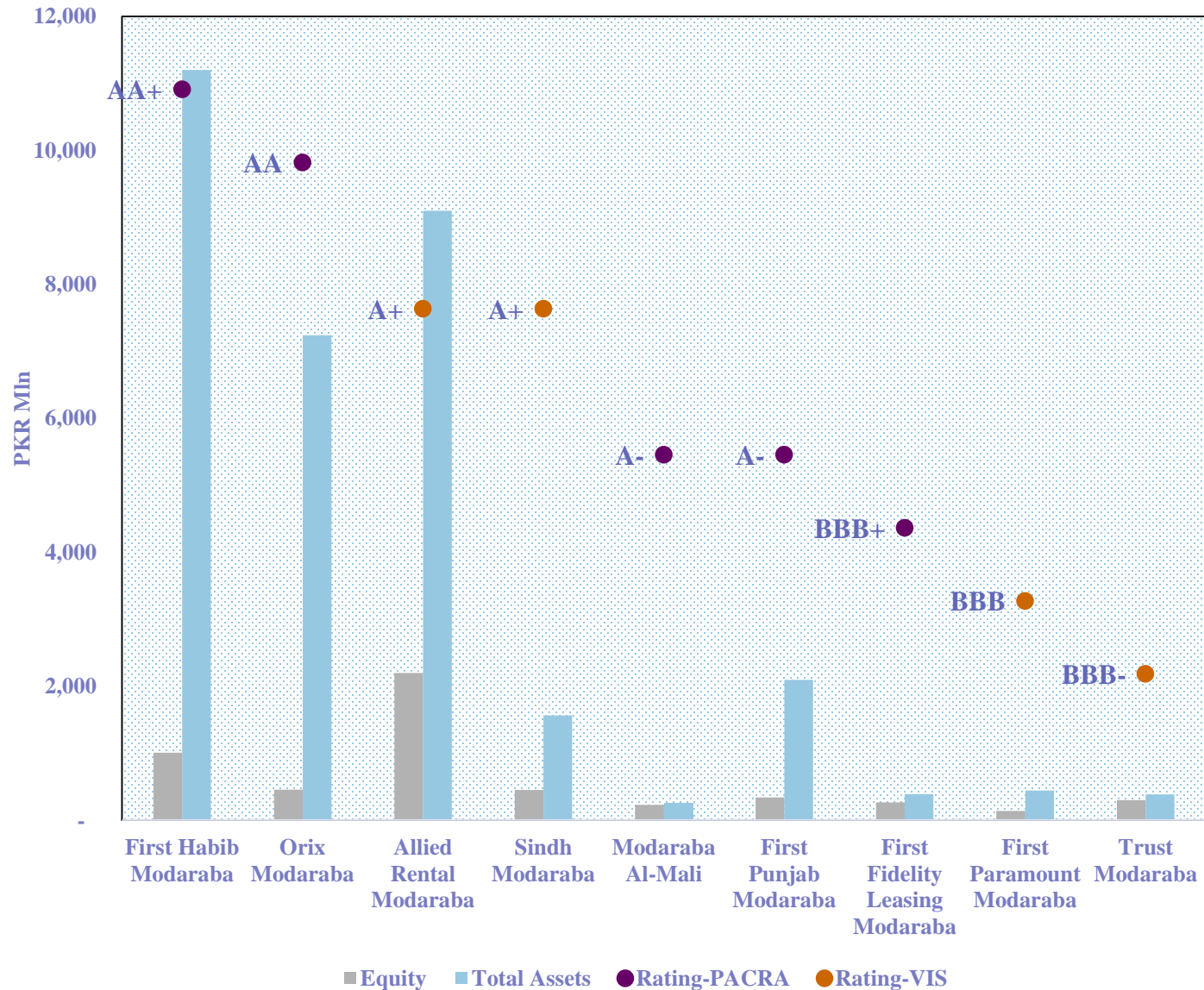
In-Effective Modarabas	(53)			(115)		51		68	
<b>Total / Average - All</b>	<b>(458)</b>			<b>825</b>		<b>1,571</b>		<b>1,193</b>	

# Modarabas | Profitability | Passive

Sr. No.	Name	Dec-18			Jun-18		Jun-17		Jun-16	
		Profit (PKR mln)	ROE	Trend	Profit (PKR mln)	ROE	Profit (PKR mln)	ROE	Profit (PKR mln)	ROE
1	First Prudential Modaraba	3	1.2%		(20)	-4.6%	15	3.4%	21	3.4%
2	KASB Modaraba	3	1.2%		(114)	-41.5%	5	1.2%	8	1.2%
3	Trust Modaraba	2	1.4%		2	0.6%	14	4.5%	13	4.6%
4	First Paramount Modaraba	2	1.5%		11	5.1%	7	3.4%	14	3.4%
5	First Equity Modaraba	(1)	-0.2%		(4)	-0.7%	43	6.5%	9	6.8%
6	First Elite Capital Modaraba	(2)	-3.0%		5	3.7%	(3)	-2.2%	(3)	-2.1%
7	Unicap Modaraba	(2)	-11.3%		(4)	-12.4%	(4)	-10.8%	(6)	-9.7%
8	First IBL Modaraba	(2)	-2.7%		0	0.0%	10	5.5%	10	5.6%
9	First Al-Noor Modaraba	(4)	-3.1%		25	9.4%	3	1.0%	21	0.9%
10	First National Bank Modaraba	(19)	350.7%		(8)	-100.5%	(71)	-436.9%	(54)	-81.4%
11	First UDL Modaraba	(32)	-13.3%		(7)	-1.2%	33	4.5%	34	5.1%
<b>Total / Average</b>		<b>(53)</b>	<b>29.3%</b>		<b>(115)</b>	<b>-12.9%</b>	<b>51</b>	<b>-38.2%</b>	<b>68</b>	<b>-5.7%</b>
<b>% Change</b>			<b>-7%</b>		<b>-326%</b>		<b>-25%</b>			

Source: PSX/ [Financials](#)

# Rated Universe | Modarabas



Rating Summary	Long Term	Short Term
<b>PACRA</b>		
First Habib Modaraba	AA+	A1+
Orix Modaraba	AA	A1+
First Punjab Modaraba	A-	A2
Modaraba Al-Mali	A-	A2
First Fidelity Leasing Modaraba	BBB+	A2
<b>VIS</b>		
Sindh Modaraba	A+	A1
Allied Rental Modaraba	A+	A1
First Paramount Modaraba	BBB	A3
Trust Modaraba	BBB-	A3

Source: PSX / Credit Ratings

# Investment Finance and Leasing Companies

# Investment Finance & Leasing | Assets

Sr #	Name of Company	Dec-18		Jun-18		Jun-17		Jun-16	
		Total Assets	Share	Total Assets	Share	Total Assets	Share	Total Assets	Share
		PKR Mln	%	PKR Mln	%	PKR Mln	%	PKR Mln	%
1	Orix Leasing Pakistan Limited	25,960	43%	26,699	42%	26,096	49%	26,900	61%
2	Pakistan Microfinance Investment Company Limited	22,087	36%	18,565	29%	7,737	15%	-	0%
3	Sindh Leasing Company Limited	4,410	7%	4,279	7%	3,059	6%	1,517	3%
4	Pak Gulf Leasing Company Limited	2,575	4%	2,549	4%	2,151	4%	1,851	4%
5	Escorts Investment Bank Limited	1,495	2%	1,520	2%	988	2%	1,253	3%
6	First Credit & Investment Bank Limited	1,404	2%	1,327	2%	1,155	2%	1,012	2%
7	Invest Capital Investment Bank Limited	1,073	2%	1,039	2%	1,071	2%	1,118	3%
8	First Dawood Investment Bank Limited	1,017	2%	1,031	2%	1,059	2%	1,344	3%
9	Security Leasing Corporation Limited	662	1%	686	1%	753	1%	815	2%
10	Grays Leasing Limited	294	0%	272	0%	268	1%	248	1%
11	Trust Investment Bank Limited	-	0%	-	0%	4,387	8%	4,363	10%
12	LSE Financial Services Limited	-	0%	3,168	5%	3,186	6%	2,826	6%
13	Primus Leasing Limited	-	0%	1,025	2%	-	0%	-	0%
14	Security Investment Bank Limited	-	0%	832	1%	648	1%	558	1%
15	SME Leasing Limited	-	0%	511	1%	460	1%	568	1%
<b>Total Assets</b>		<b>60,977</b>	<b>100%</b>	<b>63,504</b>	<b>100%</b>	<b>53,018</b>	<b>100%</b>	<b>44,374</b>	<b>100%</b>
<b>% Change</b>		<b>-4%</b>		<b>20%</b>		<b>19%</b>			

Source: PSX/ Financials

Financial statements were not available

# Investment Banks | Equity

Sr #	Name of Company	Dec-18		Jun-18		Jun-17		Jun-16	
		Equity	E/A	Equity	E/A	Equity	E/A	Equity	E/A
		PKR Mln	%	PKR Mln	%	PKR Mln	%	PKR Mln	%
1	Orix Leasing Pakistan Limited	7,408	29%	7,249	27%	4,466	17%	4,177	16%
2	Pakistan Microfinance Investment Company Limited	6,245	28%	6,071	33%	5,881	76%	-	0%
3	Sindh Leasing Company Limited	3,776	86%	3,712	87%	2,149	70%	1,104	73%
4	Escorts Investment Bank Limited	856	57%	888	58%	254	26%	373	30%
5	First Credit & Investment Bank Limited	724	52%	733	55%	724	63%	717	71%
6	Pak Gulf Leasing Company Limited	723	28%	727	29%	676	31%	629	34%
7	First Dawood Investment Bank Limited	485	48%	498	48%	409	39%	676	50%
8	Invest Capital Investment Bank Limited	377	35%	248	24%	240	22%	244	22%
9	Security Leasing Corporation Limited	132	20%	145	21%	119	16%	154	19%
10	Grays Leasing Limited	71	24%	69	25%	74	27%	75	30%
11	LSE Financial Services Limited	-	0%	2,784	88%	2,509	79%	2,222	79%
12	Primus Leasing Limited	-	0%	1,003	98%	-	0%	-	0%
13	Security Investment Bank Limited	-	0%	601	72%	627	97%	520	93%
14	SME Leasing Limited	-	0%	115	22%	125	27%	174	31%
15	Trust Investment Bank Limited	-	0%	-	0%	1,534	35%	1,331	30%
<b>Total Equity</b>		<b>20,798</b>		<b>24,843</b>		<b>19,786</b>		<b>12,395</b>	
<b>Total Assets</b>		<b>60,977</b>		<b>63,504</b>		<b>53,018</b>		<b>44,374</b>	
<b>Average Equity / Assets</b>			<b>25%</b>		<b>43%</b>		<b>39%</b>		<b>36%</b>

Source: PSX/ Financials

Financial statements were not available



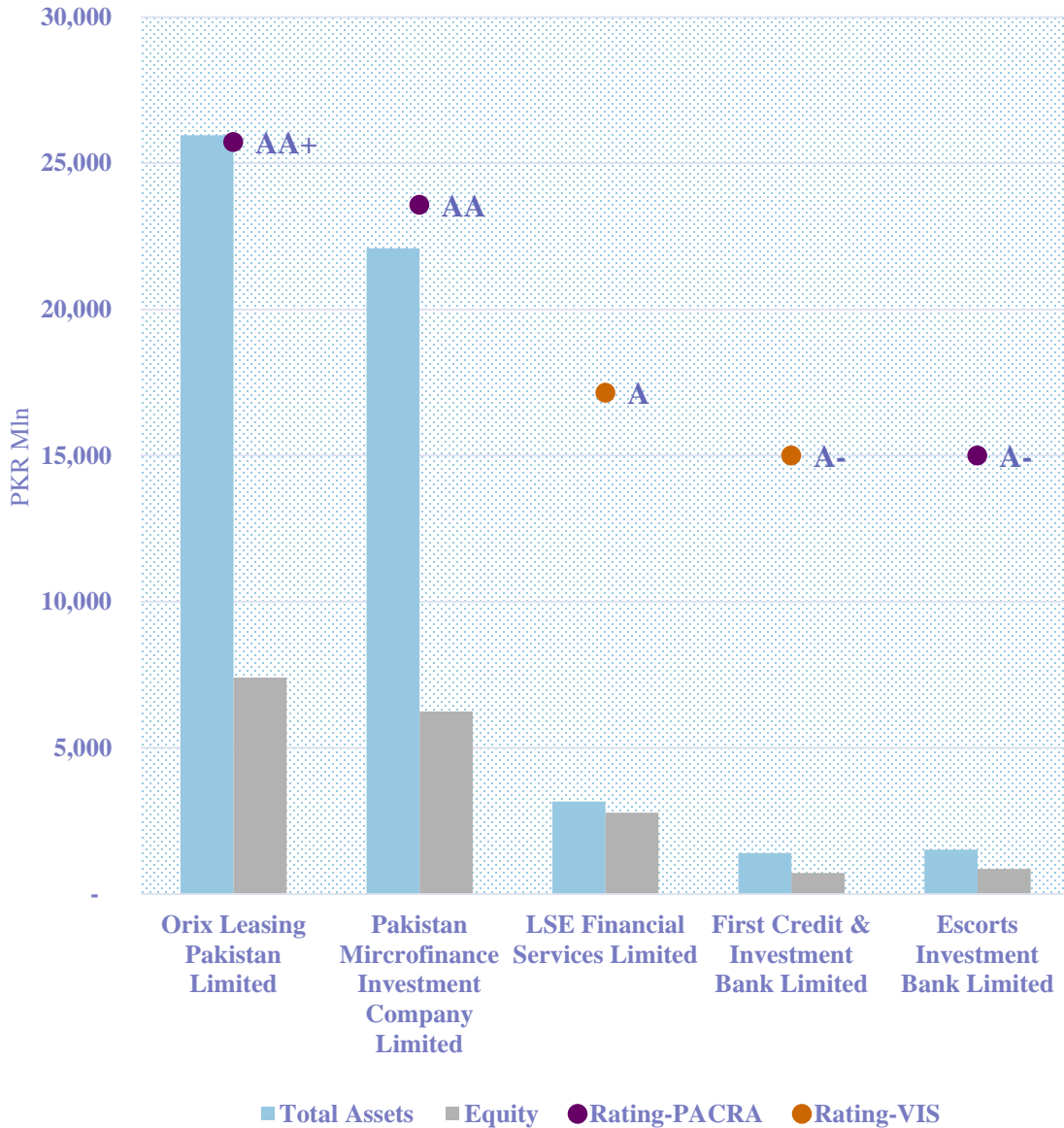
# Investment Banks | Profitability

Sr #	Name of Company	Dec-18		Jun-18		Jun-17		Jun-16	
		Profit	ROE	Profit	ROE	Profit	ROE	Profit	ROE
		PKR Mln	%	PKR Mln	%	PKR Mln	%	PKR Mln	%
1	Orix Leasing Pakistan Limited	720	10%	1,380	19%	841	19%	742	18%
2	Pakistan Microfinance Investment Company Limited	138	2%	202	3%	128	2%	-	0%
3	Sindh Leasing Company Limited	64	2%	63	2%	45	2%	44	4%
4	Pak Gulf Leasing Company Limited	27	4%	69	10%	47	7%	41	6%
5	Invest Capital Investment Bank Limited	26	7%	8	3%	(9)	-4%	40	17%
6	First Credit & Investment Bank Limited	9	1%	9	1%	7	1%	44	6%
7	LSE Financial Services Limited	-	0%	345	12%	328	13%	79	4%
8	Security Investment Bank Limited	-	0%	20	3%	103	17%	1	0%
9	Primus Leasing Limited	-	0%	3	0%	-	0%	-	0%
10	Trust Investment Bank Limited	-	0%	-	0%	57	4%	20	2%
12	SME Leasing Limited	-	0%	(18)	-16%	(32)	-25%	(2)	-1%
12	Grays Leasing Limited	(1)	-2%	(4)	-6%	(1)	-1%	(1)	-1%
13	First Dawood Investment Bank Limited	(12)	-2%	102	20%	(285)	-70%	500	74%
14	Security Leasing Corporation Limited	(13)	-10%	26	18%	(37)	-31%	15	10%
15	Escorts Investment Bank Limited	(32)	-4%	(154)	-17%	(119)	-47%	(113)	-30%
<b>Total Profit</b>		<b>926</b>		<b>2,050</b>		<b>1,074</b>		<b>1,412</b>	
<b>Total Equity</b>		<b>20,798</b>		<b>24,843</b>		<b>19,786</b>		<b>12,395</b>	
<b>Average ROE</b>			<b>0%</b>		<b>3%</b>		<b>-7%</b>		<b>7%</b>

Source: PSX/ [Financials](#)

*Financial statements were not available*

# Rated Universe | Investment Banks



Rating Summary	Long Term	Short Term
<b>PACRA</b>		
Orix Leasing Pakistan Limited	AA+	A1+
Pakistan Microfinance Investment Company Limited	AA	A1+
Escorts Investment Bank Limited	A-	A2
<b>VIS</b>		
LSE Financial Services	A	A1
First Credit & Investment Bank Limited	A-	A2

Source: PSX / [Credit Ratings](#)

Upgrade

# Modarabas

# Modarabas | Key Developments

## **Draft Bill Modaraba Act, 2017 hasn't been finalized yet:**

- No person or entity shall invite or collect deposit or raise funds from general public or employ any scheme by using the word “modaraba or musharakah”, modaraba management company or any other similar expression or kind or nature of wordings except as otherwise permitted under— (a) this Act. (b) the Banking Companies Ordinance, 1962 (LVII of 1962). (c) the Companies Act. or (d) any other entity permitted under any other law.
- Conditions applicable to modaraba management company:
  - 1) No modaraba management company— (a) shall, subject to proviso to section 7, engage in any business which is of the same nature and competes with the business carried on by a modaraba floated or managed by it.
- In addition to the modaraba fund raised by the issue of modaraba certificates, a financial services modaraba may, with the approval of the Commission, issue Shariah compliant instruments for resource mobilization subject to such terms and conditions and limitations as may be specified.
- Empowerment to the certificate holders by including the concept of AGM.
- Establishing unlisted modaraba with mandatory condition of listing within three years

# Modarabas | Key Developments

## Ammendment in Prudential Regulation

Information to be provided by a body corporate as promoters and major shareholders of the modaraba company:

- Financial statements for the last three years.
- Details of business place.
- Shareholding details including details of ultimate beneficial owners.
- CID report of the company and its directors and sponsors.
- Details of any write off availed from any financial institution during last five years.
- Details of any finance obtained from any financial institution during the last five years.
- Details of any rescheduling of finance obtained from any financial Institution during the last five years.
- Any substantial adverse verdicts against the company from any Court of Law during the last ten years.
- Details of associated companies and subsidiaries.
- Details of any existing or potential litigation in the name of the company, its sponsors and directors.
- Details of any inquiry, investigation conducted by the Commission or any other regulatory or professional body or government agency during the last five years.

# **Investment banks and Leasing companies**

# Industry | Key Developments

Amendments in NBFCs Prudential Regulations 2008 are updated in August 2016. The salient features of these regulations are as follows:

<b>Form of Business</b>	<b>Minimum Equity Requirement</b>
<b>New deposit taking NBFCs for obtaining license of Investment Finance Services or Lending or Discounting or Housing Finance Services</b>	<b>PKR 1,000mln</b>
<b>Existing NBFCs with valid deposit taking permission having Investment Finance Services license **</b>	<b>PKR 750mln</b>
<b>Existing NBFCs with valid deposit taking permission having leasing license</b>	<b>PKR 500mln</b>
<b>Non-deposit taking NBFCs for Investment Finance Services license</b>	<b>PKR 100mln</b>
<b>Non-bank Microfinance Company for Investment Finance Services license*</b>	<b>PKR 50mln</b>
<b>Non-deposit taking NBFCs for lending or Discounting or Housing Finance Services license</b>	<b>PKR 50mln for each form of business</b>
<b>Asset Management Services</b>	<b>PKR 200mln</b>
<b>Investment Advisory Services</b>	<b>PKR 30mln</b>

\*The NBFCs which do not have share capital shall maintain minimum “Fund and Reserves” (being the excess of assets over liabilities excluding surplus on revaluation of assets and investment) equal to the amount of minimum equity requirement as prescribed.

\*\*The NBFCs having valid deposit raising permission shall meet shortfall, if any, in complying with the minimum capital requirement within one year of coming into force of these regulations.

# Industry | Key Developments

**Deposit taking ability of NBFIs has been linked with the credit rating in the following manner:**

Credit Rating	Total deposits from all sources including deposits from individuals, sole proprietors, provident/ gratuity funds, trust, charitable institutions and Section 42 Companies	Deposits from individuals, sole proprietors, provident/ gratuity funds, trust, charitable institutions and Section 42 Companies
AA- & Above	5 times of equity	4 times of equity
A to A+	3 times of equity	2 times of equity
BBB to BBB+	2 times of equity	Nil

- Concept of CAR for NBFIs has also been introduced (minimum 8% for first two years of the implementation of these regulation and 10% afterwards)
- NPLs' classification criteria and provisioning requirements have also been changed



# Sector Recent Developments

- Two new Modaraba's floated - Habib Metro Modaraba and Orient Rental Modaraba.
- Modaraba Act 2017 is under deliberation.
- Pak Burnei Investment Limited has established a leasing Company in the name of Primus Leasing Limited.

# Challenges

## **Current Challenges:**

- Limited network as compared to banks
- Funding constraints
- Poor performance by most of the players owing to weak business models, limited resource mobilization, and liquidity problems.

**Sector Outlook | Developing**

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3. SECP Regulation - <https://www.secp.gov.pk/document/draft-modaraba-bill-2017/?wpdmdl=28465>
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