

Date

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Analyst

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Applicable Criteria

- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Financial Institution Rating | Oct-23
- Methodology | Microfinance Institution Rating | Oct-23

Related Research

- Sector Study | Microfinance | Sep-23

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PACRA Maintains Entity Ratings of NRSP Microfinance Bank Limited

Rating Type	Entity	
	Current (15-May-24)	Previous (14-Dec-23)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Negative
Rating Watch	Yes	Yes

NRSP confronted challenges as a result of prevailing industry conditions, with many players feeling the impact of multiple factors. However, with strategic planning and support from key sponsors, the management devised a comprehensive plan to navigate the bank through these difficulties. NRSP Bank has experienced growth, serving an expanding customer base and solidifying its position in the industry, boasting approximately 6.6% share in the total gross loan portfolio as of Dec'23. The peer universe is also evolving speedily, sustenance and growth in relative position would remain imperative. The bank's gross loan portfolio (GLP) reached approximately PKR 33.4bln by the end of Dec'23 compared to (Dec'22 ~ PKR 32.3bln). On the financial profile side, the bank reported a profit after tax of PKR ~910mln by the end of Dec'23, compared to a huge loss after tax of PKR ~4,218mln in Dec'22. The bank also expects profit growth in the future based on improved fundamentals which will play a pivotal role in the stabilization of equity and resultantly on CAR. On this basis, PACRA revise the Bank's outlook from negative to stable while maintaining the rating watch to monitor compliance with the minimum regulatory requirement of CAR.

NRSP has injected PKR 1 billion as share deposit money against the equity injection plan, in this regard other investors have also expressed intention for an equity injection, NRSP would inject the matching share. The Bank's equity amounted to PKR ~2bln at the end of Dec'23, a significant rise from approximately PKR 92mln recorded at the end of Dec'22. This increase in equity is attributed to the injection of funds by NRSP (Parent Co). The Bank continues to grapple with meeting CAR (Capital Adequacy Ratio) requirements. As of Dec'23, the CAR stood at (-6.02%), from (-11.5%) in June'23 and (-13.2%) at the end of Dec'22. Management anticipates bridging the remaining gap to achieve regulatory compliance by June 2025, driven by their performance trajectory. The capital injection plan is currently in development, and the equity injection plan is part of the whole business strategy of the bank, In this regard, the process of hiring external consultants to evaluate the feasibility of the business strategy has been successfully concluded.

The sponsor has reassured their support, both in technical and financial forms, to the bank historically with an expression of explicit intention from NRSP to provide financial support in the form of capital injection, as and when required.

The ratings are dependent upon the bank's ability to steer out of the current challenges while improving the risk profile.

About the Entity

NRSP Microfinance Bank Limited was incorporated as a public limited unlisted Company in October 2008 under Section 32 of the repealed Companies Ordinance, 1984 (now Companies Act 2017). The Bank obtained a license from SBP on February 18, 2009, to operate nationwide as a microfinance bank under Microfinance Institutions Ordinance, 2001. The Bank was established to mobilize funds for providing microfinance banking and related services to low-income, underserved, and marginalized segments of society for mitigating poverty and promoting social welfare through providing access to financial markets at the micro level. NRSP (Parent Co) is a majority shareholder with a shareholding of ~57%. Other institutional shareholders include the International Finance Corporation (IFC), PROPARCO, and Acumen Fund USA.

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.