

## Date

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## Analyst

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## Applicable Criteria

- Methodology | Microfinance Institution Rating | Oct-23
- Methodology | Debt Instrument Rating | Dec-23

## Related Research

- Sector Study | Microfinance | Sep-23

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## PACRA Maintains Rating of NRSP Microfinance Bank Limited | Tier II TFC

Rating Type	Debt Instrument	
	Current (15-May-24)	Previous (21-Dec-23)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	-	-
Outlook	Stable	Negative
Rating Watch	Yes	Yes

Despite challenges, NRSP Bank improved its performance, solidifying its position with a 6.6% share in the 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 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 equity of the company stood at ~PKR 2bln as of Dec'23 compared to ~PKR 92mln at the end of Dec'22, The Bank continues to grapple with meeting CAR requirements. As of December 2023, the CAR stood at (-6.02%), (-11.5%) in June 2023 and (-13.2%) at the end of December 2022. Management anticipates bridging the remaining gap to achieve regulatory compliance by June 2025. There is an express commitment from key sponsors.

NRSP has paid its 10th installment due on 11th Jan'24 amounting to ~PKR 49mln and the 11th installment due on April'24 amounting to PKR~46.6mln. The sponsors have 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 NRSP (Parent) is continuously giving assurance, the current assurance has been provided to cover the payments falling due during CY24 (against NRSP | Tier II bond). This is providing credit enhancement to support the Tier-II rating.

The ratings depend upon the out-turn of management's plans to steer the bank's risk profile towards an improved trajectory. Timely sponsor support is crucial. The ratings would also monitor the impact of technological advancement on the operational and risk efficacy of the Bank and reflect the need to oversee the risk profile of the Bank against unavoidable challenges, going forward.

### 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 Act2017). National Rural Support Programme (NRSP) is a majority shareholder with a shareholding of ~57%.

### About the Instrument

NRSP Bank issued a rated, unsecured, unlisted, unsecured, and subordinated TFC-II in Jul-21 of PKR 770mln to contribute towards the Bank's Tier II Capital. The TFC will rank pari passu with other Tier II instruments and superior to Additional Tier I instruments and common shares. The tenor is 07 years and callable on or after five years with prior approval of SBP. The profit rate is 3MK plus 300bps and is being paid quarterly in arrears on the outstanding principal.

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