

Modarabas and NBFCs' Sector

- Key Statistics
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- Sector Outlook

Sector	CY16
NBFCs;	No.of Entities
Leasing Companies	8
Investment Banks	7
Micro Finance Institutions	9
Asset Management Companies / Investment Advisor	22
Mutual Funds / Pension Funds	192
Real Estate Investment Trust	1
Modarbas	25
Total	264

- Scope of this presentation is limited to Modarabas and NBFC's (Leasing Companies and Investment Banks).

Breakup of Modarabas and NBFC's Assets

Breakup of NBFCs' and Modarabas' Assets									
Sector	As at end-Dec16			As at end-Jul16			As at end-Jun15		
	No of. Entities	Total Assets (PKR in bln)	Assets Share in NBFCs & Modarabas	No of. Entities	Total Assets (PKR in bln)	Assets Share in NBFCs & Modarabas	No of. Entities	Total Assets (PKR in bln)	Assets Share in NBFCs & Modarabas
Investment Banks	7	10	1%	7	10	1%	7	10	1%
Leasing Companies	8	44	4%	8	43	5%	9	40	5%
Modarabas	25	41	4%	25	37	4%	25	31	4%
Lending Institutions' Total	49	146	14%	40	90	10%	41	81	11%
Asset Management Companies / Investment Advisor	22	39	4%	23	39	4%	25	32	4%
Mutual Funds	175	654	63%	172	540	63%	167	492	67%
Discretionary & Non-Discretionary Portfolios	-	140	13%	-	143	17%	-	97	13%
Pension Funds	17	23	2%	17	20	2%	17	14	2%
REITs	1	40	4%	1	27	3%	1	23	3%
Investing Institutions' Total	215	896	86%	213	769	90%	210	658	89%
NBFIs' Total	264	1,042	100%	253	859	100%	251	739	100%

* 5% share in Total NBFIs' assets is of Microfinance banks As at end-Dec16

Modarabas Assets

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Assets (PKR in mln)	Share in Total Assets	Assets (PKR in mln)	Share in Total Assets	Assets (PKR in mln)	Share in Total Assets
1	Allied Rental Modaraba	7,211	20%	5,263	18%	5,357	18%
2	First Habib Modaraba	7,161	19%	6,393	21%	5,393	18%
3	Orix Modaraba *	5,278	14%	5,180	17%	6,035	20%
4	First Treet Manufacturing Modaraba	5,191	14%	2,053	7%	1,729	6%
5	B.R.R. Guardian Modaraba	2,078	6%	2,206	7%	2,306	8%
6	First Punjab Modaraba	1,427	4%	1,206	4%	1,324	4%
7	Awwal Modaraba	1,043	3%	-	-	-	-
8	KASB Modaraba	901	2%	983	3%	1,306	4%
9	First UDL Modaraba	880	2%	867	3%	829	3%
10	First National Bank Modaraba	841	2%	1,248	4%	1,701	6%
11	First Equity Modaraba	664	2%	686	2%	686	2%
12	Sindh Modaraba	515	1%	478	2%	0	0%
13	First Prudential Modaraba	512	1%	512	2%	572	2%
14	First Paramount Modaraba	505	1%	440	1%	326	1%
15	Trust Modaraba	396	1%	411	1%	418	1%
16	First Al-Noor Modaraba	376	1%	359	1%	376	1%
17	First Fidelity Leasing Modaraba	357	1%	367	1%	376	1%
18	First Imrooz Modaraba	340	1%	292	1%	274	1%
19	First IBL Modaraba	224	1%	212	1%	224	1%
20	Modaraba Al-Mali	219	1%	206	1%	206	1%
21	First Elite Capital Modaraba	182	0%	203	1%	196	1%
22	B.F. Modaraba	158	0%	152	1%	137	0%
23	Crescent Standard Modaraba	156	0%	139	0%	144	0%
24	Popular Islamic Modaraba	141	0%	141	0%	132	0%
25	First Pak Modaraba	67	0%	67	0%	82	0%
	Total	36,825	100%	29,999	100%	30,133	100%

* Formerly Standard Chartered Modaraba

Modarabas Equity

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Equity (PKR in mln)	Equity/Assets	Equity (PKR in mln)	Equity/Assets	Equity (PKR in mln)	Equity/Assets
1	First Treet Manufacturing Modaraba	4,461	86%	1,692	82%	1,601	93%
2	Allied Rental Modaraba	4,382	61%	3,704	70%	3,119	58%
3	First Habib Modaraba	3,316	46%	3,257	51%	3,209	59%
4	ORIX Modaraba*	1,176	22%	1,153	22%	1,094	18%
5	B.R.R. Guardian Modaraba	1,057	51%	991	45%	854	37%
6	Awwal Modaraba	1,028	99%	-	-	-	-
7	First UDL Modaraba	643	73%	631	73%	578	33%
8	First Equity Modaraba	626	94%	631	92%	647	94%
9	Sindh Modaraba	473	92%	473	99%	0	0%
10	First Prudential Modaraba	452	88%	451	88%	511	89%
11	KASB Modaraba	389	43%	385	39%	290	22%
12	First Al-Noor Modaraba	333	89%	323	90%	333	89%
13	First Fidelity Leasing Modaraba	332	93%	342	93%	349	93%
14	Trust Modaraba	310	78%	310	75%	307	73%
15	First Paramount Modaraba	210	42%	206	47%	179	55%
16	First Punjab Modaraba	182	13%	171	14%	93	7%
17	First IBL Modaraba	179	80%	176	83%	180	80%
18	Modaraba Al-Mali	170	77%	159	77%	154	75%
19	B.F. Modaraba	154	98%	149	98%	134	98%
20	First Imrooz Modaraba	140	41%	130	44%	117	43%
21	First Elite Capital Modaraba	130	72%	142	70%	138	70%
22	Crescent Standard Modaraba	125	80%	118	85%	128	89%
23	First National Bank Modaraba	88	10%	142	11%	264	16%
24	Popular Islamic Modaraba	74	52%	130	92%	126	95%
25	First Pak Modaraba	60	89%	61	91%	74	90%
	Total Equity	20,490	-	15,924	-	14,477	-
	Total Assets	36,825	-	29,999	-	30,133	-
	Average Equity/Assets		56%		53%		48%

* Formerly Standard Chartered Modaraba

Modarabas Profit

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Profit (PKR in mln)	ROE	Profit (PKR in mln)	ROE	Profit (PKR in mln)	ROE
1	First Habib Modaraba	298	9%	307	9%	285	5%
2	Allied Rental Modaraba	294	7%	404	11%	651	12%
3	First Treet Manufacturing Modaraba	244	5%	172	10%	86	3%
4	Orix Modaraba*	173	15%	195	17%	182	9%
5	B.R.R. Guardian Modaraba	47	4%	70	7%	41	3%
6	First Imrooz Modaraba	42	30%	27	21%	17	7%
7	First UDL Modaraba	34	5%	150	24%	68	6%
8	Awwal Modaraba	28	3%	-	-	-	-
9	First Punjab Modaraba	28	15%	95	55%	74	59%
10	First Al-Noor Modaraba	21	6%	11	3%	21	3%
11	Sindh Modaraba	21	4%	9	2%	0	0%
12	First Prudential Modaraba	21	5%	27	6%	15	1%
13	First Paramount Modaraba	14	7%	11	5%	12	3%
14	Trust Modaraba	13	4%	17	6%	20	3%
15	B.F. Modaraba	10	7%	9	6%	4	2%
16	First IBL Modaraba	10	6%	5	3%	9	3%
17	First Equity Modaraba	9	1%	11	2%	25	2%
18	KASB Modaraba	8	2%	11	3%	24	4%
19	Crescent Standard Modaraba	7	6%	(7)	-6%	6	2%
20	Modaraba Al-Mali	5	3%	5	3%	(23)	-7%
21	First Pak Modaraba	0	0%	2	3%	3	2%
22	First Elite Capital Modaraba	(3)	-2%	9	6%	9	3%
23	First Fidelity Leasing Modaraba	(10)	-3%	(7)	-2%	4	1%
24	First National Bank Modaraba	(54)	-61%	(122)	-86%	(34)	-6%
25	Popular Islamic Modaraba	(56)	-76%	4	3%	2	2%
	Total Profit	1,206		1,414		1,503	-
	Total equity	20,490		15,924		14,477	
	Average ROE		6%	-	5%	-	4%

* Formerly Standard Chartered Modaraba

Rated Universe

Sr #	Modarabas	Rating Agency	Current Ratings	Outlook	Latest Action
1	First Habib Modaraba	PACRA	AA+/A1	Stable	Maintain (Dec-16)
2	Orix Modaraba	PACRA	AA+/A1	Stable	Initial (Jan-17)
3	Sindh Modaraba	JCR-VIS	A+/A1	Stable	Initial (Jan-17)
4	Allied Rental Modaraba	JCR-VIS	A+/A1	Stable	Maintain(Dec-16)
5	Modaraba Al-Mali	PACRA	A-/A2	Stable	Maintain(Apr-16)
6	First Punjab Modaraba	PACRA	BBB+/A2	Positive	Maintain(Dec-16)
7	KASB Modaraba	PACRA	BBB+/A2	Stable	Maintain(Sep-2016)
8	First National Bank Modaraba	JCR-VIS	BBB+/A3	Negative	Downgrade(Jun-16)
9	First Fidelity Leasing Modaraba	PACRA	BBB+/A2	Stable	Maintain(Sep-16)
10	First Paramount Modaraba	JCR-VIS	BBB/A3	Stable	Maintain(Dec-16)
11	Trust Modaraba	JCR-VIS	BBB-/A3	Postive	Initial(Dec-16)

Leasing Companies

Leasing companies Assets

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Assets (PKR in mln)	Share in Total Assets	Assets (PKR in mln)	Share in Total Assets	Assets (PKR in mln)	Share in Total Assets
1	Orix Leasing Pakistan Ltd*	35,313	85%	28,318	70%	24,449	67%
2	Pak Gulf Leasing Company Ltd	1,851	4%	1,501	4%	1,209	3%
3	Sindh Leasing Company Ltd	1,517	4%	1,242	3%	1,051	3%
4	NBP Leasing Ltd	1,161	3%	1,296	3%	1,296	4%
5	Security Leasing Corporation Ltd	815	2%	847	2%	919	3%
6	SME Leasing Ltd	568	1%	592	1%	658	2%
7	Grays Leasing Ltd	248	1%	234	1%	224	1%
8	Saudi Pak Leasing Company Ltd	-	-	1,090	3%	1,223	3%
9	Standard Chartered Leasing Ltd	-	-	5,225	13%	5,525	15%
	Total	41,740	100%	40,558	100%	36,743	100%

**Standard Chartered Leasing acquired by Orix Leasing in May 2016*

Leasing Companies Equity

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Equity (PKR in mln)	Equity/ Assets	Equity (PKR in mln)	Equity/ Assets	Equity (PKR in mln)	Equity/ Assets
1	Orix Leasing Pakistan Ltd	4,171	12%	3,548	13%	2,983	12%
2	Sindh Leasing Company Ltd	1,104	73%	1,060	85%	1,027	98%
3	NBP Leasing Ltd	851	73%	766	59%	766	59%
4	Pak Gulf Leasing Company Ltd	629	34%	547	36%	451	37%
5	SME Leasing Ltd	174	31%	188	32%	190	29%
6	Security Leasing Corporation Ltd	154	19%	136	16%	125	14%
7	Grays Leasing Ltd	75	30%	75	32%	75	34%
8	Saudi Pak Leasing Company Ltd*	-	-	(477)	-44%	(371)	-30%
9	Standard Chartered Leasing Ltd			964	18%	960	17%
	Total Equity	7,325	335%	6,956	251%	6,339	272%
	Total Assets	41,740		40,558		36,743	
	Average Equity /Total Assets		18%		17%		17%

* Saudi Pak Leasing Financials are not available for FY16

Leasing Companies Profit

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Profit (PKR in mln)	ROE	Profit (PKR in mln)	ROE	Profit (PKR in mln)	ROE
1	Orix Leasing Pakistan Ltd	742	18%	671	19%	516	17%
2	Sindh Leasing Company Ltd	44	4%	33	3%	27	3%
3	Pak Gulf Leasing Company Ltd	41	6%	50	9%	29	6%
4	NBP Leasing Ltd	34	4%	26	3%	26	3%
5	Security Leasing Corporation Ltd	15	10%	(97)	-72%	(135)	-108%
6	Grays Leasing Ltd	(1)	-1%	0	-	(1)	-1%
7	SME Leasing Ltd	(2)	-1%	(3)	-2%	(0)	0%
8	Saudi Pak Leasing Company Ltd	-	-	(106)	22%	7	-2%
9	Standard Chartered Leasing Ltd	-	-	83	9%	110	11%
	Total Profit	894	-	670	-	593	-
	Total Equity	7,325	-	6,887	-	6,338	-
	Average ROE		12%		10%		9%

Rated Universe

Sr #	Leasing	Rating Agency	Current Ratings	Outlook	Latest Action
1	Orix Leasing Pakistan Ltd	PACRA	AA+/A1+	Stable	Maintain (Dec-16)
2	NBP Leasing Ltd	JCR-VIS	A+/A1	RW - Developing	Maintain (May-16)
3	Sindh Leasing Ltd	JCR-VIS	A+/A1	Stable	Upgrade (Jun-16)
4	Pak-Gulf Leasing Ltd	JCR-VIS	A-/A2	Stable	Maintain (Dec-16)
5	Grays Leasing Ltd	JCR-VIS	BB-/B	Stable	Maintain (Nov-16)
6	SME Leasing Ltd	PACRA	B+/B	Stable	Initial (Jan-17)

Investment Banks

Investment Banks Assets

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Assets (PKR in mln)	Share in Total Assets	Assets (PKR in mln)	Share in Total Assets	Assets (PKR in mln)	Share in Total Assets
1	Trust Investment Bank Limited	4,363	43%	4,409	43%	4,687	42%
2	First Dawood Investment Bank Limited	1,344	13%	966	10%	1,003	9%
3	Escorts Investment Bank Limited	1,263	12%	1,632	16%	1,920	17%
4	First Credit & Investment Bank Limited	1,118	11%	1,213	12%	1,327	12%
5	IGI Investment Bank Limited	802	8%	693	7%	738	7%
6	Invest Capital Investment Bank Limited	664	7%	653	6%	789	7%
7	Security Investment Bank Limited *	558	6%	586	6%	751	7%
	Total	10,112	100%	10,151	100%	11,215	100%

** Numbers are based on 1HCY16*

Investment Banks Equity

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Equity (PKR in mln)	Equity/Assets	Equity (PKR in mln)	Equity/Assets	Equity (PKR in mln)	Equity/Assets
1	First Credit & Investment Bank Limited	717	64%	1,135	94%	1,259	95%
2	First Dawood Investment Bank Limited	676	50%	662	69%	639	64%
3	Escorts Investment Bank Limited	517	41%	519	32%	517	27%
4	Invest Capital Investment Bank Limited	385	58%	489	75%	509	64%
5	IGI Investment Bank Limited	244	30%	183	26%	182	25%
6	Security Investment Bank Limited	50	9%	182	31%	56	7%
7	Trust Investment Bank Limited	(1,570)	-36%	49	1%	32	1%
	Total Equity	1,019	-	3,220	-	3,193	-
	Total Assets	10,112		10,151	327.5%	11,215	282.7%
	Average Equity/Assets		10.1%		31.7%		28.5%

Investment Banks Profit

Sr. No.	Name	Jun-16		Jun-15		Jun-14	
		Profit (PKR in mln)	ROE	Profit (PKR in mln)	ROE	Profit (PKR in mln)	ROE
1	First Dawood Investment Bank Limited	500	74%	23	3%	99	15%
2	First Credit & Investment Bank Limited	44	6%	18	2%	4	0%
3	Invest Capital Investment Bank Limited	40	10%	14	3%	3	1%
4	Trust Investment Bank Limited	22	-1%	12	25%	1	4%
5	Security Investment Bank Limited	1	1%	7	4%	(17)	-31%
6	IGI Investment Bank Limited	(0)	0%	6	3%	(136)	-75%
7	Escorts Investment Bank Limited	(113)	-22%	(21)	-4%	(141)	-27%
	Total Profit	494		58		(186)	
	Total Equity	1,019		3,220		3,193	
	Average ROE		48%		2%		-6%

Rated Universe

Sr #	Investment Banks	Rating Agency	Current Ratings	Outlook	Latest Action
1	First Credit and Investment Bank Limite	JCR-VIS	A-/A2	Stable	Maintain (Dec-16)
2	Security Investment Bank Limited	JCR-VIS	BBB+/A2	Developing	RW (Oct-16)
3	IGI Investment Bank	PACRA	BBB-/A3	Developing	RW (Dec-16)
4	Escorts Investment Bank	PACRA	BB/B	Negative	Downgrade (Nov-16)

Breakup of Deposits

Breakup of Deposits as at end-Dec 16					
Category	PKR in mln				Percentage of Total Deposit
	Leasing Companies	Modarabas	Investment Banks	Total	
Individual	6,749	2,476	502	9,727	59%
Corporate	868	1,424	898	3,190	19%
Trust	-	472	25	497	3%
Govt. Entities	-	314	-	314	2%
Financial Institutions	116	2,510	14	2,640	16%
Total	7,733	7,196	1,439	16,368	100%
Share in the Total Deposits	45%	42%	8%	-	-
Total Liabilities	36,824	19,578	8,307	64,709	-
Deposit/Total Liabilities	21%	37%	17%	75%	-
Breakup of Deposits as at end-Jul16					
Category	PKR in mln				Percentage of Total Deposit
	Leasing Companies	Modarabas	Investment Banks	Total	
Individual	8,534	3,135	662	12,332	66%
Corporate	846	811	1,344	3,001	16%
Trust	-	585	31	616	3%
Govt. Entities	-	429	1	430	2%
Financial Institutions	629	1,550	15	2,194	12%
Total	10,009	6,510	2,053	18,572	100%
Share in the Total Deposits	54%	35%	11%	-	-
Total Liabilities	36,610	16,194	6,577	59,381	-
Deposit/Total Liabilities	27%	40%	31%	99%	-

Modarabas

Modarabas– Key Developments

Draft Amendments in Modaraba Companies and Modaraba Rules, 1981, have been issued in February 2016 and circulated among the stake holders for comments. The salient features of these rules are as follows:

- In case of deposit taking Modaraba, at least two or one third, whichever is higher, of the board Members have to be independent.
- At least one or one third, whichever is higher, of board members should be independent in case of non-deposit taking Modaraba.
- The promoters or major shareholders of the Modaraba Management Company are restricted to transfer their shares without prior approval of the Registrar.

Modarabas– Key Developments

Draft Bill for Amendments in Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 has been issued in June 2016.

The most important change proposed in this bill is given below:

1. All Modarabas have been restricted to invite or accept any deposit. For this purpose, the term “deposit” means any deposit of money with , or any money borrowed or raised by a Modaraba but shall not include:
 - a) Redeemable Capital issued under section 120 of the Companies Ordinance 1984*;
 - b) Funds obtained from a financial institution;
 - c) Advance, application or subscription money for certification of the Modaraba;
 - d) Cash margin or security deposit received in respect of finance provided by the Modaraba;
 - e) Subordinated loans; and funds obtained from major shareholders, sponsors and associated companies

Note*: Though Modarabas’ Certificates of Musharaka (CoMs) falls under the definition of redeemable capital as per the Companies Ordinance which gives the impression that Modarabas can raise deposit through CoMs. However, Modarabas issue CoMs under the Modaraba regulatory framework, upon specific requirements and arrangements made under the guidelines issued for the purpose, with the approval of the Religious Board for Modarabas and the SECP. Thus, the proposed amendments seeks to impose restriction on inviting or accepting all types of deposits.

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:

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

*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, trusts, charitable institutions and section 42 companies	Deposits from individuals, sole proprietors, provident/gratuity funds, trusts, charitable institutions and section 42 companies
AA- and 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.

Challenges

Current Challenges:

- Limited network as compared to banks
- High cost of funding
- Poor performance by most the players owing to weak business models
- Limited regulatory support

Potential Risk Factor:

- The proposed bill of amendments in Modaraba ordinance 1980 (Clause 8B) is not allowing Modarabas to issue new COMs. Modaraba Association is in discussion with the regulator on this issue and is very much hopeful for a positive outcome.

Sector Outlook | Developing

Bibliography

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Analysts	Rana Nadeem Unit Head Ratings nadeem@pacra.com	Amara S. Gondal Manager Ratings amara.gondal@pacra.com	Saliha Sajid Associate Analyst saliha.sajid@pacra.com
Contact Number: +92 42 3586 9504			

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