

Press Release

VIS Reaffirms Entity Ratings of Trust Modaraba

Karachi, May 05, 2023: VIS Credit Rating Company Ltd. (VIS) has reaffirmed entity ratings of Trust Modaraba (TM) at 'BBB+/A-2' (Triple B+/A-Two). Outlook on the assigned ratings is 'Stable'. Long-term entity rating of BBB+ reflects adequate credit quality; protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy. Short-term rating of A-2 signifies good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small. Previous rating action was announced on April 26, 2022.

Assigned ratings takes note of the growth in operating revenue coupled with improvement in the credit quality. Financing portfolio of TM surged in FY22, albeit the growth in the same was subdued in 1HFY23. Similarly, TM's operating efficiency witnessed an improvement in FY22, however, the same deteriorated in 1HFY23. Ratings also take into account managements concerted efforts for recovery from the litigated portfolio. Gains against recoveries contributed to the increased profitability. Going forward, focus of the management will be geared towards recovery against the litigated portfolio, which will provide impetus to the overall earning profile of the Modaraba.

Assigned ratings incorporate the change in business strategy whereby management has increased its focus towards corporate clients and high net worth individuals, which have a relatively lower risk of default. Resultantly, credit quality profile of the Modaraba has improved. In addition, the non-performing portfolio has also shown a significant reduction. Provisioning coverage improved as a result of improved profitability. However, the same continues to be on the lower side as compared to peers. Going forward, management plans to augment the number of sectors that it caters to by entering the segment of low cost housing with relatively low risk. On the back of aforementioned growth factors and expected recoveries, profitability is projected to improve. TM's leverage indicators continue to be on the lower side given no outstanding borrowings on the balance sheet. Management remains committed to reinforcing the capital base of the Modaraba, for which various opportunities are being explored. Growth in financing portfolio for achieving the projected profitability while maintaining asset quality will remain important for the assigned level of ratings.

For further information on this rating announcement, please contact Mr. Hasan Rashid (Ext:209) or the undersigned (Ext: 207) at 92-21-35311861-64 or email to info@vis.com.pk.


Sara Ahmed
Director

Applicable Rating Criteria: Non-Bank Financial Companies (March 2020)
<http://vis.com.pk/kc-meth.aspx>

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