



Trust Modaraba

Managed By:
Al-Zāmin Modaraba Management (Private) Limited

October 03, 2023

The General Manager
Pakistan Stock Exchange
Stock Exchange Building
Stock Exchange Road
Karachi.

SUBJECT: NOTICE OF CORPORATE BRIEFING SESSION (CBS).

Dear Sir,

This is continuation of our earlier letter dated September 20, 2023, regarding subject, please note that Corporate Briefing Session of Trust Modaraba will be held on Thursday, October 12, 2023 at 10:30 am at NBF1 & Modaraba Association of Pakistan, 602, Progressive Centre, 30-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi, as well as through video conference (on Zoom) to provide information about the Modaraba's performance and outlook.

Zoom details are as follows;

Meeting ID: 970 765 1485

Passcode: 833191

<https://us06web.zoom.us/j/9707651485?pwd=SUlrZm5rbjIBbEVzLlVtMzZ6VnhYUT09>

We also attached herewith presentation on Corporate Briefing Session which has also been uploaded on the Company's website in compliance of PSX Notice No. PSX/N-1160 dated November 18, 2022.

Thank you,

Yours faithfully,

Basheer A. Chowdry
Chief Executive

TRUST MODARABA
CORPORATE BRIEFING
SESSION

12th OCTOBER 2023



About us

Trust Modaraba commenced its operations in 1991. The aim of Modaraba is to play its due role in the transformation of the country's financial system in conformity with principles enshrined in the Shariah by providing Riba-free investment and financing opportunities aimed at the socio-economic prosperity of the Nation. Trust Modaraba is a perpetual and multi-purpose Modaraba engaged in Murabahah, Musharakah and Ijarah financing, equity investments and trading.

It is listed on the Pakistan Stock Exchange Ltd, with an authorized capital of Rs. 700 million and a paid-up capital of Rs. 298 million. Trust Modaraba is managed by Al-Zamin Modaraba Management (Private) Limited. Al-Zamin has a proven track record of managing Modarabas in Pakistan.



BRANCHES:-

KARACHI

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BUSINESS ACTIVITIES OF TRUST MODARABA.

- IJARAH.
- DIMINISHING MUSHARAKAH.
- MUSHARAKAH.
- MURABAHAH.
- EQUITY INVESTMENT.



FINANCIAL PERFORMANCE

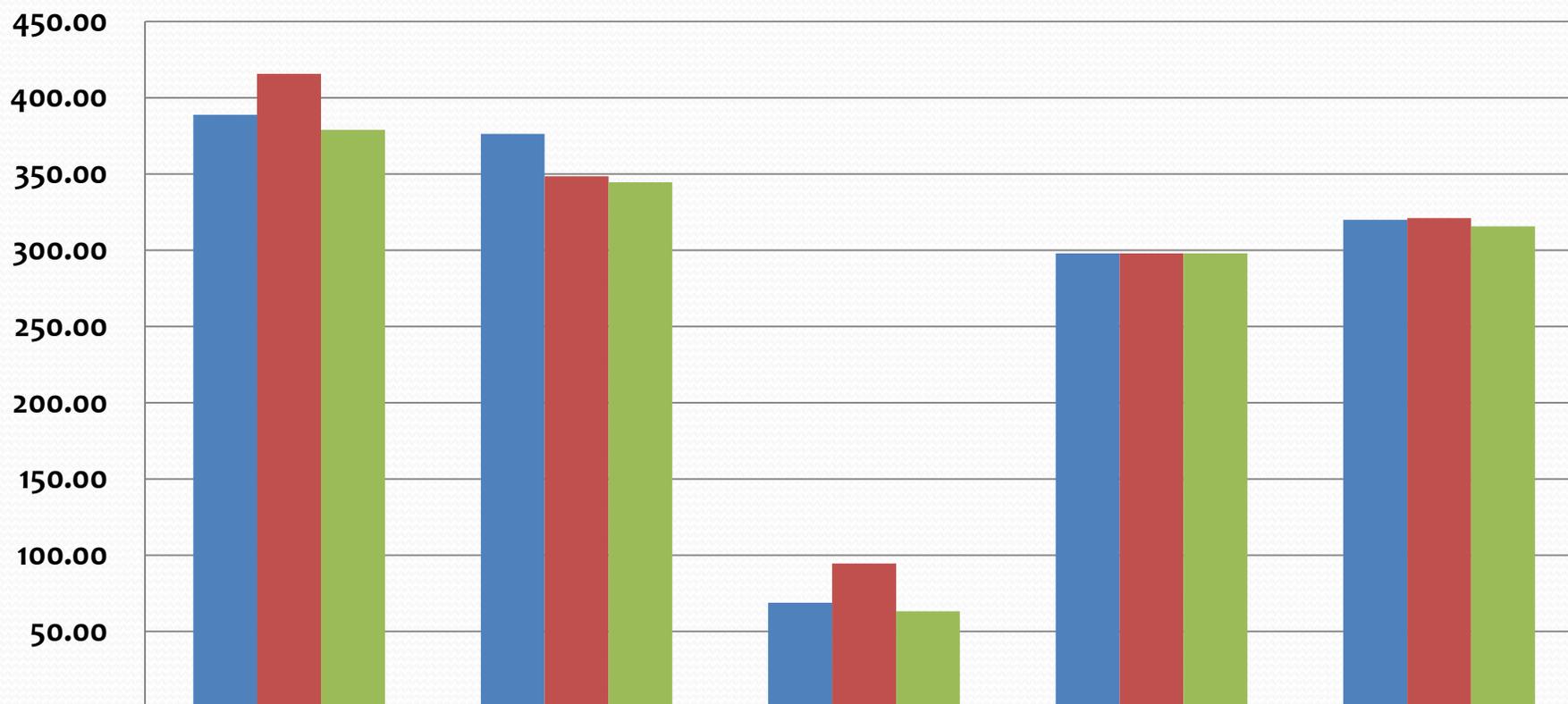
KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million

| | 2023 | 2022 | 2021 |
|----------------------------|--------|--------|--------|
| Balance Sheet items | | | |
| Total assets | 388.75 | 415.58 | 378.81 |
| Financing portfolio | 376.26 | 348.53 | 344.51 |
| Total Liabilities | 68.75 | 94.53 | 63.20 |
| Paid-up Capital | 298.00 | 298.00 | 298.00 |
| Net Equity | 320.01 | 321.05 | 315.61 |

KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million



| | Total Assets | Financing Portfolio | Total Liabilities | Paid-up Capital | Net Equity |
|--------|--------------|---------------------|-------------------|-----------------|------------|
| ■ 2023 | 388.75 | 376.26 | 68.75 | 298.00 | 320.01 |
| ■ 2022 | 415.58 | 348.53 | 94.53 | 298.00 | 321.05 |
| ■ 2021 | 378.81 | 344.51 | 63.20 | 298.00 | 315.61 |

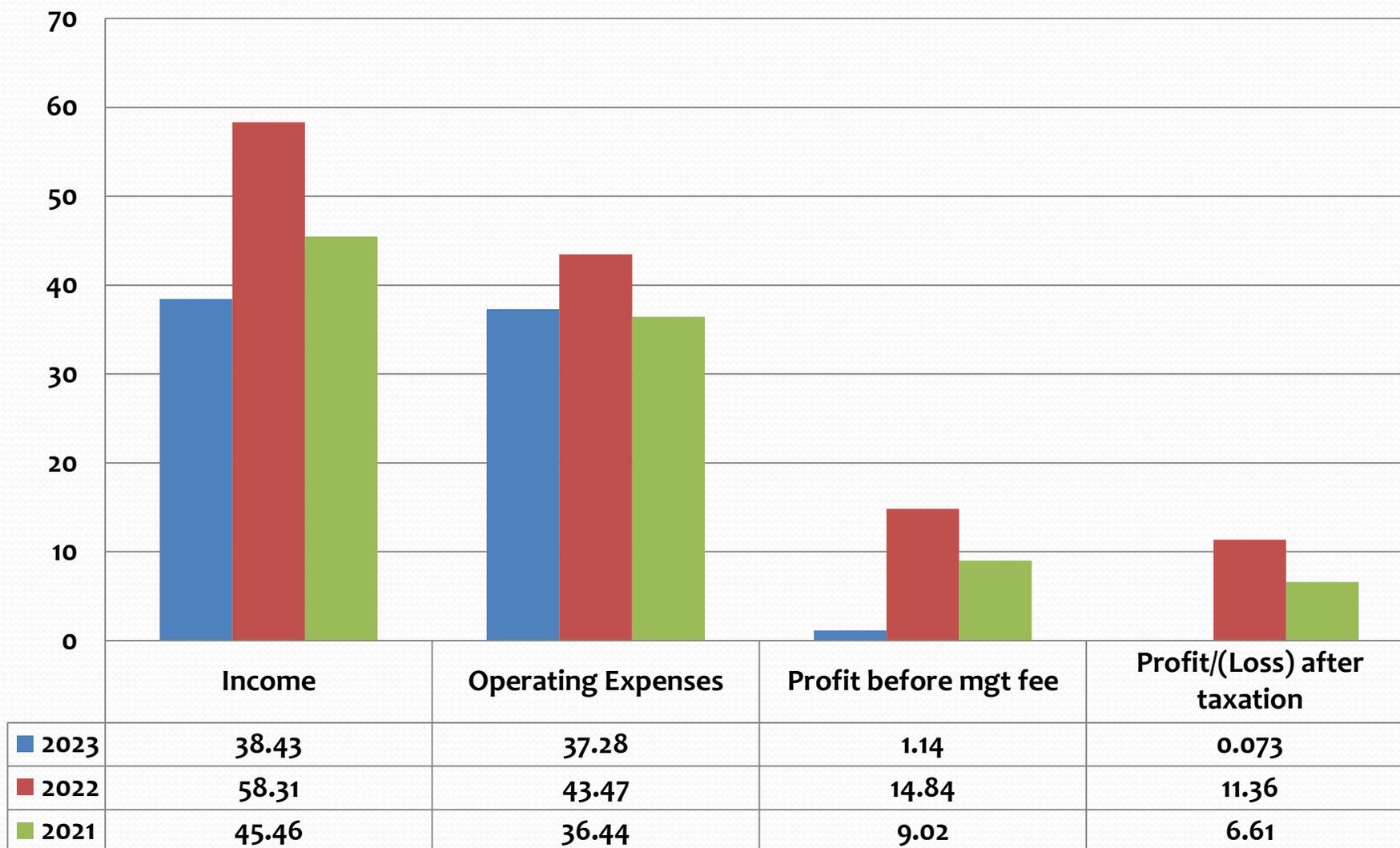
KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million

| | 2023 | 2022 | 2021 |
|------------------------------|---------|-------|-------|
| Income Statement | | | |
| Income | 38.43 | 58.31 | 45.46 |
| Operating expenses | 37.28 | 43.47 | 36.45 |
| Profit before management fee | 1.14 | 14.84 | 9.02 |
| Profit/(Loss) after taxation | (0.073) | 11.36 | 6.61 |
| Net Profit margin | - | 15% | 14.5% |
| Return on equity | - | 3.5% | 2.1% |
| Earning per certificate | - | 0.38 | 0.22 |

KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million





CREDIT RATING

RATING REPORT

Trust Modaraba

REPORT DATE:

May 05, 2023

RATING ANALYSTS:

Hasan Rashid

hasan.rashid@vis.com.pk

Shaheryar Khan Mangan

shaheryar@vis.com.pk

RATING DETAILS

| Rating Category | Latest Rating | Previous Rating |
|-----------------|---------------|-----------------|
| | Entity | Entity |
| Entity | BBB+ /A-2 | BBB+ /A-2 |
| Rating Date | May 05, 2023 | April 26, '22 |
| Rating Outlook | Stable | Stable |
| Rating Action | Reaffirmed | Reaffirmed |

COMPANY INFORMATION

Incorporated in 1991

External Auditors: Grant Thornton Anjum
Rehman & Co. Chartered Accountants

Public Listed Company

Chairman: Mr. Shaikh Arshad Farooq
Chief Executive Officer: Mr. Basheer Ahmed
Chowdry

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Non-Bank Financial Companies (March, 2020)

<http://vis.com.pk/kr-meth.aspx>

Trust Modaraba

OVERVIEW OF THE INSTITUTION

Trust Modaraba (TM) was incorporated in 1991 under Modaraba companies and Modaraba (floatation and control) Ordinance. TM is listed on Pakistan Stock Exchange with its head office located in Karachi. Financial Statements of the modaraba for FY21 were audited by Crowe Hussain Chaudhury & Co. Chartered Accountants.

Profile of the CEO

Mr. Baqeer A. Chowdhry commenced his banking career in 1963. He is a gold medalist from Punjab University, holds a Diploma in Banking and is also a Member of the British Institute of Management, Member of the British Institute of Directors, and Member of the Institute of International Affairs, London.

He has vast banking experience in commercial investment banking, international banking and the leasing business for the last 42 years having held very senior assignments with Bank of Credit & Commerce International, United Kingdom. He has been the Chief Executive Officer of the Modaraba

RATING RATIONALE

Since 2009, Trust Modaraba (TM) has been managed by Al-Zamin Modaraba Management (Private) Limited (AZMM). TM is currently engaged in Ijarah, Morabaha, Musharakah, and equity market operations. Majority certificate holding of the Modaraba is vested with an individual, Mr. Mohammad Aslam Motiwala (56.9%) followed by 17.7% interest by AZMM. In the longer run, the management is currently considering options pertaining to merger with other small Modaraba organizations, which will allow an increase in customer financing portfolio due to the availability of additional funds.

Key Rating Drivers

Financing portfolio continues to dominate the asset mix of the Modaraba

| Rs. in millions | FY20 | FY21 | FY22 | 1HPY23 |
|-----------------------------------|------------|------------|------------|------------|
| Financing (including Ijarah's FA) | 254 | 270 | 311 | 313 |
| Short term investment | 18 | 26 | 33 | 25 |
| Investment properties | 20 | 22 | - | - |
| Other assets | 65 | 60 | 71 | 53 |
| Total Assets | 358 | 379 | 416 | 392 |

Overall asset base of the entity shrunk to Rs.392m (FY22: Rs.416m, FY21: Rs.379m) at end-1HPY23. The financing portfolio continues to represent the largest chunk of the asset base, comprising of Ijarah, Musharakah, and Murabaha modes of financing. During 1HPY23, financing in the form of Diminishing Musharakah witnessed a significant increase, as part of the management's plan to increase its share in Diminishing Musharakah mode of financing. While short term investments have increased on timeline basis, it depicted a decline in 1HPY23 due to management's decision to liquidate a portion of these investments amid depressed stock market conditions. However, management envisages that the market may turnaround owing to a finalization agreement of nearly concluded IMF deal.

Improvement in portfolio credit quality is mainly underpinned by a shift in the client mix of the portfolio coupled with settlement of a Non-Performing Financing (NPF)

Gross financing portfolio grew to Rs.329m in 1HPY22 (FY21: Rs.287m). Thereafter, gross financing portfolio of the entity has remained at the same level (FY22: Rs.330m, 1HPY23: Rs.331m). Ijarah and Murabaha modes of financing dominates the portfolio mix, representing around 90% of the total portfolio. With the shift implemented in the client profile wherein more weightage given to the corporate sector and high net worth individuals, it has paved the way for improvement in the credit risk profile of the entity. The entity also has its portfolio in rural Sindh, where floods have inflicted unprecedented damaged across the province. However, management does not anticipate any major damage given the areas

for more than 17 years. He has served as the Chairman, Modaraba Association and Leasing Association of Pakistan and was a Director on the Board of Karachi Stock Exchange (Guarantee) Limited nominated by Securities & Exchange Commission of Pakistan as well as a member of the steering committee of the United Nations Development Program for Corporate Governance in Pakistan.

Financial Snapshot

Net Equity: end-FY20: Rs.307m; end-FY21: Rs.316m; end-FY22: Rs.321m

Total Assets: end-FY20: Rs.358m; end-FY21: Rs.379m; end-FY22: Rs.416m

Income: end-FY20: Rs.34m; end-FY21: Rs.45m; end-FY22: Rs.56m

Profit After Tax: end-FY20: Rs.1.7m; end-FY21: Rs.6.6m; end-FY22: Rs.11.3m

catered by the entity are located on the left bank where the damage is minimal, albeit they may face some temporary delays in receipts of receivable. There has been a shift in the asset mix of the Modaraba. Demand for small cars have dropped amid increase in prices, albeit the demand for big cars have depicted an increase. Hence, Ijarah financing will continue to persist, going forward.

During 1H FY23, NPLs stood at Rs.87m (FY22: Rs.87m, FY21: Rs.98m). Management expects recoveries of Rs.55.6m, of which Rs.40m is to be received for the land which is situated at DHA Lahore, Rs.5m for the shop located in Hyderabad, Rs.10m is to be received from Prime Traders and Rs.0.6m from A.M Pipe stores). No new NPLs has been accrued and recovery from litigated portfolio continues to be the top priority of the management. In tandem with the recoveries, gross infection and net infection has declined on a timeline basis and are expected to remain persistent in line with the expected recoveries, going forward. With the entity reporting a higher income during FY22, provisioning coverage saw a sizeable increase, albeit a slight decrease was noted in 1H FY23.

| | FY20 | FY21 | FY22 | 1H FY23 |
|------------------------------------|-------|-------|------|---------|
| Gross Infection* | 40.1% | 23.6% | 9.7% | 10.4% |
| Provisioning Coverage* | 49% | 29% | 69% | 63% |
| Net Infection* | 25.3% | 18.0% | 3.3% | 4.2% |
| *Net of customer security deposits | | | | |

Recovery from litigated portfolio has provided impetus to the income

| Rs. in millions | FY21 | FY22 | 1H FY22 | 1H FY23 |
|-------------------------|--------|--------|---------|---------|
| Operating Revenue | 44.3 | 75.8 | 61.9 | 21.7 |
| Income on financing | 26.3 | 32.7 | 17.9 | 19.5 |
| Income from Investments | 5.4 | 0.4 | 0.5 | 0.8 |
| Other Income | 9.6 | 42.6 | 43.5 | 1.3 |
| Operating Expenses | (36.4) | (43.5) | (19.9) | (19.8) |
| Efficiency | 82% | 57% | 32% | 91.2% |
| Other (Net) | 0.1 | (19.2) | -22.3 | (2.9) |
| Profit Before tax | 8.0 | 13.1 | 18.5 | (1.0) |
| Profit After tax | 6.6 | 11.4 | 14.6 | (1.8) |

Total income of the entity registered a notable increase of 71% in FY22. The increase was mainly driven by the recovery of Rs.50m from litigated portfolio. On the other hand, income from financing activities posted an increase of 24%. As a prudent portfolio risk management strategy, the management had to enhance coverage by recording an amount of Rs.5.04m. Following posting good performance in the previous year, performance of stock market remained depressed, resulting in an unrealized loss of Rs.12.5m. Total income in 1H FY23 was significantly lower vis-à-vis SPLY, given the gain on settlement of Rs.37m contributed significantly to the income in 1H FY22. Operating expenses in 1H FY23 remained at similar levels. Mainly on the back of an unprecedented decrease in the stock market index and the market price of shares, net loss was recorded in 1H FY23.

Going forward, given the probable recovery from the litigated portfolio, profitability is expected to improve. As per the projections, recovery from the litigated portfolio in Jun'23 is listed below:

| Rs. in millions | Recovery (Rs.) |
|-------------------|----------------|
| Land (DHA Lahore) | 20.0 |
| SHOPS (Hyderabad) | 5.0 |
| A.M Pipe Store | 0.6 |

Equity base depicted a slight decline on account of net loss, however, leverage indicator remain sound given the entity's debt free capital structure

TM's leverage indicators continue to remain on the lower side given no outstanding borrowings on the balance sheet. Net loss in 1HPY23 resulted in a slight decline in the equity base, dropped to Rs.319m (FY22: Rs.321m). Liquidity profile has shown a considerable improvement, with liquid assets providing 1.7x coverage to current liabilities in 1HPY23 (FY22: 1.1x, FY21: 1.4x), nevertheless it remains adequate. The firm has access to credit lines and they are in the process of negotiation with notable banks.

Trust Modaraba (TM)

Appendix I

| Financial Summary (amounts in PKR millions) | | | | | |
|--|--------------|--------------|--------------|--------------|---------------|
| | FY19 | FY20 | FY21 | FY22 | 1HFY23 |
| Investments in Equities | 13.7 | 27.5 | 36.6 | 40.2 | 32.3 |
| Investment Property | 13.7 | 20.4 | 8.5 | - | - |
| Financing Portfolio (net) | 290.2 | 253.6 | 270.2 | 311.5 | 312.9 |
| Total Assets | 371.3 | 357.5 | 378.8 | 415.6 | 391.6 |
| Certificate Capital | 298.0 | 298.0 | 298.0 | 298.0 | 298.0 |
| Net Equity | 303.9 | 306.9 | 315.6 | 321.1 | 318.7 |
| Income Statement | | | | | |
| Income from ijarah | 12.5 | 8.7 | 9.7 | 15.7 | 9.3 |
| Profit on murabaha finances | 11.5 | 11.7 | 10.8 | 10.8 | 4.5 |
| Profit on musharakah finances | 5.5 | 8.0 | 5.8 | 6.3 | 5.7 |
| Income from investments - net | 0.2 | 0.9 | 8.4 | 0.4 | 0.8 |
| Trading income | 1.8 | 0.1 | - | - | - |
| Other income | 2.1 | 5.4 | 9.6 | 42.6 | 1.3 |
| Total Income | 33.6 | 34.8 | 44.3 | 75.8 | 21.7 |
| Net Provisioning/Reversal | (2.6) | (1.1) | 1.1 | (17.5) | (2.9) |
| Operating Expenses | (29.7) | (30.5) | (36.4) | (43.5) | (19.8) |
| Profit (Loss) Before Tax | 1.2 | 2.7 | 8.0 | 13.1 | (1.0) |
| Profit (Loss) After Tax | 1.0 | 1.7 | 6.6 | 11.4 | (1.8) |
| Ratio Analysis | | | | | |
| Gross Infection* | 33.60% | 40.20% | 23.6% | 9.7% | 10.4% |
| Net Infection* | 18.80% | 25.50% | 18.0% | 3.3% | 4.2% |
| Provisioning Coverage* | 54.00% | 49.20% | 28.9% | 68.6% | 62.6% |
| Leverage | 0.22 | 0.17 | 0.20 | 0.20 | 0.22 |
| Efficiency | 88.40% | 87.60% | 82.2% | 57.4% | 91.2% |
| ROA** | 0.30% | 0.50% | 1.7% | 2.7% | -0.5% |
| ROE** | 0.30% | 0.60% | 2.1% | 3.5% | -0.6% |
| Current Ratio | 7.8 | 8.5 | 7.89 | 4.92 | 7.65 |

*Net of Customer Security Deposits

** Annualized

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term...

AAA

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC

A high default risk

C

A very high default risk

D

Defaulted obligations

Short-Term

A-1+

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C

Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlook: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(BL) Rating: A suffix (BL) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (BL), abbreviated for 'bank loan rating', denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

| REGULATORY DISCLOSURES | | Appendix III | | | |
|----------------------------------|---|---|----------------|----------------|-------------------------|
| Name of Entity | Trust Modaraba | | | | |
| Sector | Modaraba | | | | |
| Type of Relationship | Solicited | | | | |
| Purpose of Rating | Entity Rating | | | | |
| Rating History | Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
| | RATING TYPE ENTITY | | | | |
| | 05-May-23 | BBB+ | A-2 | Stable | Reaffirmed |
| | 26-April-22 | BBB+ | A-2 | Stable | Upgrade |
| | 17-Feb-21 | BBB- | A-3 | Stable | Maintained |
| | 27-Aug-19 | BBB- | A-3 | - | Rating Watch - Negative |
| | 26-Jan-18 | BBB- | A-3 | Stable | Maintained |
| | 6-Dec-16 | BBB- | A-3 | Positive | Initial |
| | Instrument Structure | N/A | | | |
| Statement by the Rating Team | VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. | | | | |
| Probability of Default | VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default. | | | | |
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| Due Diligence Meetings Conducted | Name | Designation | Date | | |
| | Mr. Basheer Ahmed Chowdry | Chief Executive Officer | April 12, 2023 | | |
| | Ms. Hamida Aqeel | Chief Operating Officer/Company Secretary | April 12, 2023 | | |



WAY FORWARD.

- 1) To increase the operational base of the Modaraba through resource mobilization and recovery of funds stuck in legal cases.
- 2) To diversify product menu and add new products in energy & other sectors for better profitability.
- 3) To consistently achieve operational efficiencies.
- 4) To build a solid foundation of client base and strengthen risk profile of the Modaraba.



THANK YOU



Q & Ans.