

## Date

17-Oct-24

## Analyst

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## Applicable Criteria

- Methodology | Microfinance Institution Rating | Oct-23
- Methodology | Rating Modifiers | Apr-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-24

## Related Research

- Sector Study | Microfinance | Sep-23

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## PACRA Upgrades Entity Rating of ASA Microfinance Bank (Pakistan) Limited

Rating Type	Entity	
	Current (17-Oct-24)	Previous (29-Apr-24)
Action	Upgrade	Maintain
Long Term	A-	BBB+
Short Term	A2	A2
Outlook	Stable	Positive
Rating Watch	-	-

ASA Microfinance Bank (Pakistan) Limited ('ASA' or the 'Company') is a public unlisted company and is owned by ASA International (ASAI) Holding with an ownership stake of ~99.99%. ASA International is a publicly listed company on the London Stock Exchange, and stands as one of the world's leading international microfinance institutions operating in 13 countries across Asia and Africa. ASA is dedicated to its mission of providing microfinance services to underprivileged households in Pakistan, emphasizing financial inclusion and empowerment of women. A strong governance framework is underpinned by a well-defined organizational structure and an experienced management team, ensuring the seamless execution of operations. The Company's lending strategy of maintaining strong and close relationships with its customers has demonstrated effectiveness, consistently delivering strong performance over the years and facilitating notable growth in lending activities. As a testimony of its broad strategic vision, ASA converted into a Microfinance Bank in Nov'23. Recently, the Company has implemented a Core Banking System (Temenos - T24) and management has reported that the Company is at an advanced stage of getting permission from SBP to mobilize deposits. The Company's backend software and scrutiny processes have also been improved. During 1HCY24, the advances portfolio stood at ~PKR 21,142mln, reflecting a growth of 9.4% compared to CY23. The Company secures ~4% market share in terms of GLP amongst the microfinance banks and institutes as of end-Jun'24. On the business front, the Company has managed to make a growth of ~27% with a recorded topline of PKR 5.6bln during 1HCY24 (1HCY23: PKR 4.4bln). Additionally, the PAT grew by ~56% and reported at PKR 1.4bln during 1HCY24 (1HCY23: PKR 923mln). Due to the substantial growth in income relative to the expense base, the OSS reflects marked improvement and is deemed to be robust. The Company's equity stood at ~PKR 9.6bln at end-Jun'24. ASA has a strong Capital Adequacy Ratio standing at ~34% at end-Jun'24. Liquidity has also improved at end Jun'24, whereas the GLP in relation to equity stands at 45.8% at end-Jun'24. The upgrade is attributed to several key factors, including the Company's strong historical financial performance, a diversified loan portfolio, a robust capital base, improved governance and management practices, and advancements in technology.

The assigned rating is contingent upon the Company's capacity to effectively mitigate emerging risks under the prevailing circumstances to preserve its business and financial risk profile. At the same time, the Company's ability to safeguard its performance indicators in a challenging business environment is crucial.

### About the Entity

ASA Microfinance Bank (Pakistan) Limited (formerly ASA Pakistan Limited) is a for-profit, Microfinance Bank, incorporated in 2008 under section 42 of the company's ordinance, 1984. The Company received its MFB license for lending operations; however, after the recent implementation of Core Banking System and SBP's approval, ASA plans to proceed with mobilizing deposits. The Company's Board of Directors comprises seven members, which include two independent and five non-executive directors. Mr. Saeed Uddin Khan is the CEO of ASA and has over three decades of diversified and senior management experience in different banks and financial institutions.

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.