

VIS Credit Rating Company Limited

International Affiliates: Islamic International Rating Agency - Bahrain, Credit Rating Information & Services Ltd. - Bangladesh, Borhan Credit Rating Company Ltd. - Iran

Press Release

VIS Reaffirms Entity Ratings of Pakistan Mortgage Refinance Company Limited (PMRC)

Karachi, April 06, 2020: VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of Pakistan Mortgage Refinance Company Limited (PMRC) at 'AAA/A-1+' (Triple A/A-One Plus). Outlook on the assigned ratings is 'Stable'. The long-term rating of 'AAA' indicates highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's (GoP) debt. The short-term rating of 'A-1+' signifies 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 GoP's short term obligations. Previous rating action was announced on May 07, 2019.

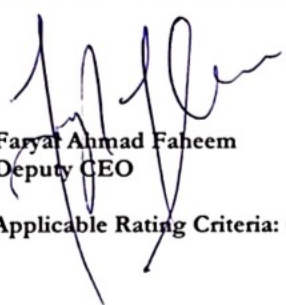
The assigned ratings are underpinned by PMRC's shareholding structure (public sector holding of 49%) and strong Government and Regulatory support. Ratings also incorporate PMRC's low exposure to credit & market risk, strong projected capitalization indicators, satisfactory policy framework, experienced & professional management team and sound risk management controls. Ratings remain dependent on maintaining very low risk profile and sustaining financial performance. Sensitivity of ratings to credit and market risk while being present is considered low.

The combined volume of outstanding housing finance from banks and the HBFCL has grown at a rate of 12% over the last two years. Contribution of Islamic mortgage loans in the total house financing portfolio has noted a sizeable increase and was reported at 53% (2018: 44%) at end-2019. Despite subdued macroeconomic environment, low mortgage finance penetration along with significant and growing deficit of housing units in the country is expected to facilitate demand growth of house finance in the country.

During 2019 and in the ongoing year, refinancing portfolio witnessed sizeable growth with disbursements to six Islamic and conventional Partner Financial Institutions (PFIs). Growth momentum is targeted to continue with broad based increase in portfolio to both existing and new PFIs. Credit risk emanating from the refinancing portfolio is considered minimal on account of financing with recourse to PFIs and 25% overcollateralization on Mortgage Loan Portfolio. Continued effective implementation of credit risk management strategy will remain an important rating driver. Exposure to market risk is planned to be maintained on the lower side with investments undertaken in Government securities as per policy.

Assessment of financial risk profile incorporates sound funding, liquidity, and capitalization profile along with healthy profitability indicators. Funding profile draws support from availability of long-term funding from World Bank (WB) which is expected to be enhanced further and stringent maturity matching of bonds and loans. Despite sizeable growth expected in refinancing portfolio, liquidity buffer of PMRC is projected to be satisfactory over the rating horizon, in terms of liquid assets available to meet unexpected shortfalls in cash flows. Profitability growth is expected to continue in 2020 due to continued volumetric growth in portfolio.

For further information on this rating announcement, please contact Mr. Talha Iqbal (Ext: 213) or the undersigned (Ext. 306) at 021-35311861-70 or email at info@vis.com.pk.


Faryal Ahmad Faheem
Deputy CEO

Applicable Rating Criteria: Government Supported Entities (June 2016) <http://www.vis.com.pk/kc-meth.aspx>

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