



Date

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Applicable Criteria

- Methodology | Non-Banking Finance Companies (Jan 16)
- Correlation between Long-term and Short-term rating (Jun 16)
- Rating Modifiers | Outlook and Rating Watch (Jun 16)

Related Research

- Sector Study | Modaraba (Sep 16)

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PACRA Assigns Initial Entity Ratings to ORIX Modaraba

Rating Type	Entity
	Current (14-Jan-2017)
Action	Initial
Long Term	AA
Short Term	A1+
Outlook	Stable
Rating Watch	-

ORIX Modaraba's acquisition by ORIX Leasing Pakistan Limited (OLP) has been completed in FY16, wherein, OLP has acquired 100% stake in Modaraba's management company - now called ORIX Services Pakistan Limited (OSPL) - and 20% stake (direct and indirect) in ORIX Modaraba. This acquisition while further strengthening the risk management framework of ORIX Modaraba is expected to benefit the Modaraba through established outreach and experience of parent, particularly in SME segment, which the management of Modaraba has identified as key growth driver.

On standalone basis, ORIX Modaraba enjoys sound financial profile emanating from low leveraging, managed liquidity, and sustained profitability. Moreover, good management quality, strong risk management systems, and control environment provide strength to ORIX Modaraba's profile. The Modaraba maintains its healthy performance - particularly asset quality and profitability. The management's new business strategy envisages volumetric growth in assets to improve its performance trends. The expected growth would be funded through mix of internal sources and debt. However, the management expects to maintain the leveraging pattern at comfortable level.

The ratings are dependent on the management's ability to sustain its strong financial profile while ensuring stable profitability.

About the Entity

ORIX Modaraba, is a perpetual, multipurpose Modaraba, listed on the Pakistan Stock Exchange. It is primarily engaged in financing of plant, machinery and vehicles. The parent company, OLP - 50% owned subsidiary of ORIX Corporation - Japan and rated "AA+" (Double A Plus) by PACRA is the biggest leasing company of Pakistan and has a network of 30 branches across the country at end-Dec16.

ORIX Modaraba's Board of Directors (BoD) comprises six members including the Chief Executive Officer. All the board members are ex-officio nominees of OLP. Chairman ORIX Modaraba Shaheen Amin an experienced professional, who has been associated with OLP for 30 years. The Chief Executive Officer of ORIX Modaraba, Mr. Raheel Q. Ahmad, an MBA from IIT, Chicago, has over 25 years of diversified corporate and investment banking experience with both national and international organizations. He is supported by a team of professionals with relevant experience in the financial industry.

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.