



Trust Modaraba

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

October 07, 2024

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

SUBJECT: NOTICE OF CORPORATE BRIEFING SESSION (CBS).

Dear Sir,

Notice is hereby given that the Corporate Briefing Session (CBS) of Trust Modaraba is scheduled to be held on Tuesday, October 15, 2024 at 10:30 am at NBFI & 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: 829 6775 0548

Passcode: 188117

<https://us06web.zoom.us/j/82967750548?pwd=8LswvVF5SJyNG6Xa0MEW341E43nb7g.1>

We also attach herewith presentation on Corporate Briefing Session which has also been uploaded on the Company's website.

Thank you,

Yours faithfully,

Hamida Aqeel
Company Secretary

TRUST MODARABA
CORPORATE BRIEFING
SESSION

15th OCTOBER 2024



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

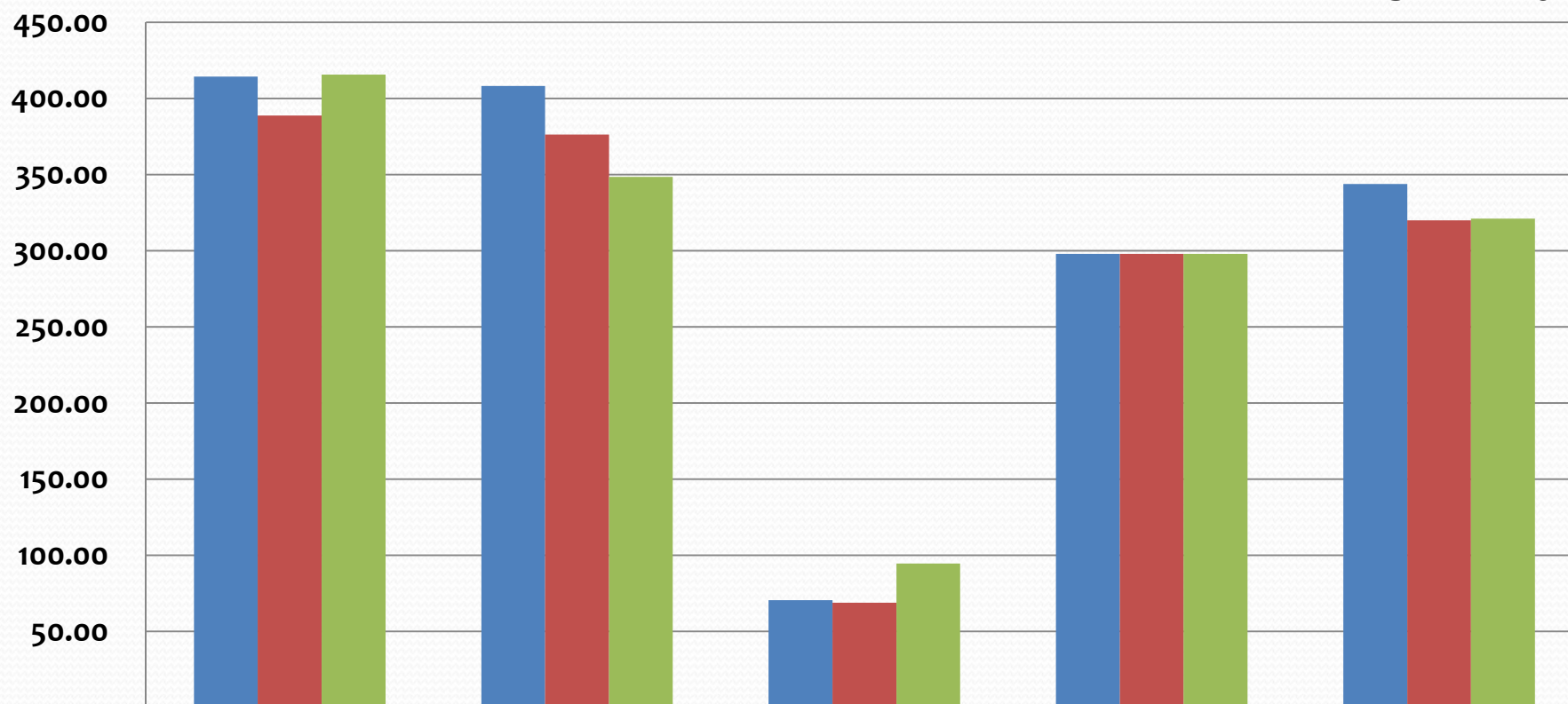
KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million

	2024	2023	2022
Balance Sheet items			
Total assets	414.35	388.75	415.58
Financing portfolio	408.22	376.26	348.53
Total Liabilities	70.48	68.75	94.53
Paid-up Capital	298.00	298.00	298.00
Net Equity	343.87	320.01	321.05

KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million



	Total Assets	Financing Portfolio	Total Liabilities	Paid-up Capital	Net Equity
2024	414.35	408.22	70.48	298.00	343.87
2023	388.75	376.26	68.75	298.00	320.01
2022	415.58	348.53	94.53	298.00	321.05

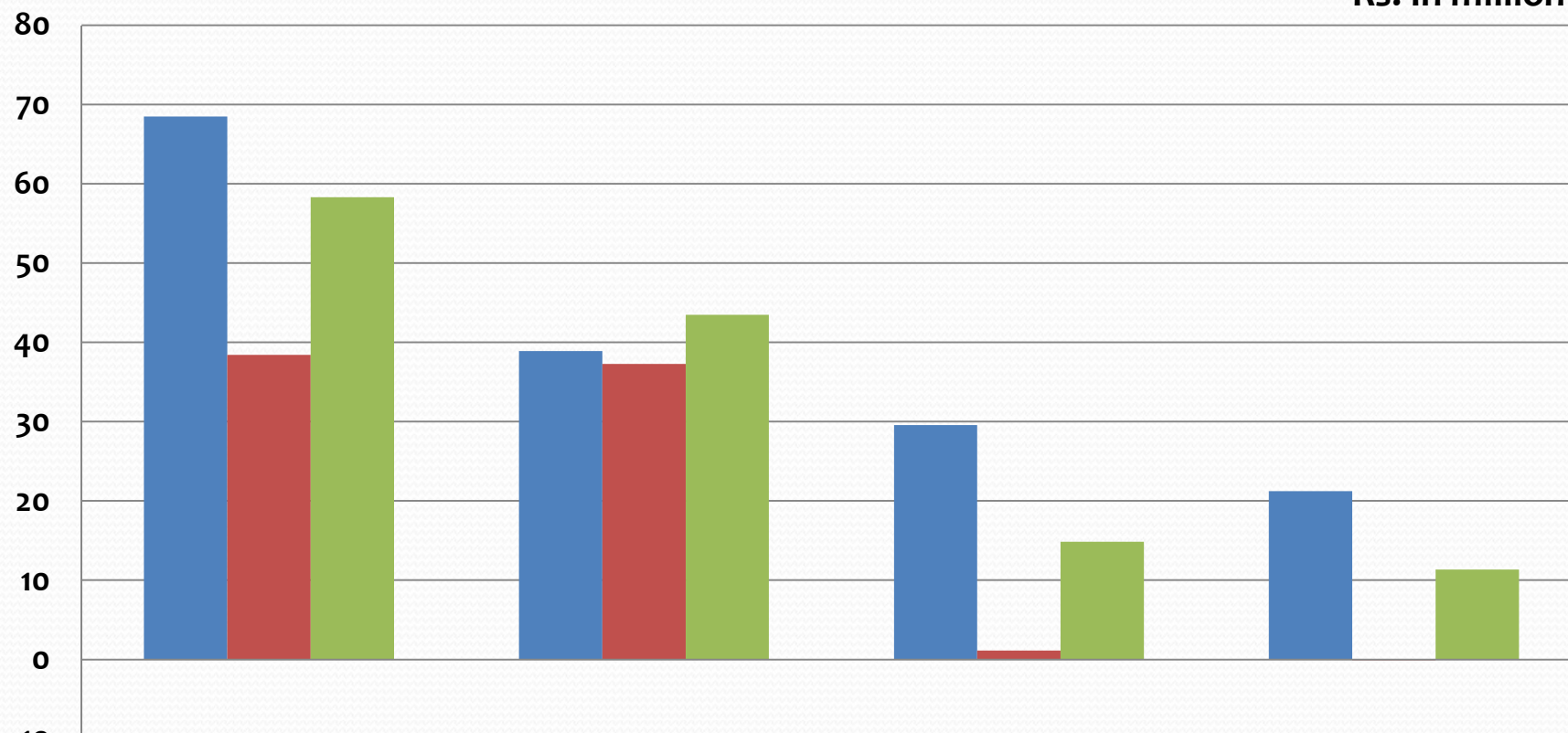
KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million

	2024	2023	2022
Income Statement			
Income	68.47	38.43	58.31
Operating expenses	38.91	37.28	43.47
Profit before management fee	29.56	1.14	14.84
Profit/(Loss) after taxation	21.23	(0.073)	11.36
Net Profit margin	34%	-	15%
Return on equity	6.11	-	3.5%
Earning per certificate	0.71	-	0.38

KEY OPERATING & FINANCIAL DATA FOR THE LAST THREE YEARS

Rs. In million



	Income	Operating Expenses	Profit before mgt fee	Profit/(Loss) after taxation
■ 2024	68.47	38.91	29.56	21.23
■ 2023	38.43	37.28	1.14	(0.073)
■ 2022	58.31	43.47	14.84	11.36



CREDIT RATING

RATING REPORT

Trust Modaraba

REPORT DATE:

May 13, 2024

RATING ANALYSTS:

Zainab Imran

zainab.imran@vis.com.pk

RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	Entity	Entity
Entity	BBB+ / A-2	BBB+ / A-2
Rating Date	May 13, 2024	May 05, 2023
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

<https://docs.vis.com.pk/Methodologies%202024/NBFCs202003.pdf>

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Trust Modaraba

OVERVIEW OF THE INSTITUTION	RATING RATIONALE																																										
<p><i>Trust Modaraba (TM) was incorporated in 1991 under Modaraba companies and Modaraba (flotation and control) Ordinance. TM is listed on Pakistan Stock Exchange with its head office located in Karachi. Financial Statements of the modaraba for FY23 were audited by Grant Thornton Anjum Rahman.</i></p> <p>The Financial Statements have no qualified opinion.</p> <p><i>The two points raised by the auditor in the Emphasis of Matter section are: i) Land owned but not possessed by the modaraba, and ii) Management holds Rs 4.82m for unclaimed dividends out of Rs 12.83m in unclaimed profits, with an Rs 8.3m shortfall from Trust Management Services prior to 2009</i></p> <p>Profile of the CEO</p> <p><i>Mr. Basbeer 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.</i></p> <p><i>He has vast banking experience in commercial, investment banking, international banking and</i></p>	<p>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 holding (56.9%) followed by 18% interest by AZMM.</p> <p>Key Rating Drivers</p> <p>Financing portfolio continues to dominate the asset mix of the Modaraba</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>FY19</th> <th>FY20</th> <th>FY21</th> <th>FY22</th> <th>FY23</th> <th>9M'FY24</th> </tr> </thead> <tbody> <tr> <td>Financing (net)</td> <td>290</td> <td>254</td> <td>270</td> <td>309</td> <td>313</td> <td>342</td> </tr> <tr> <td>Short term investments</td> <td>8</td> <td>18</td> <td>26</td> <td>33</td> <td>24</td> <td>15</td> </tr> <tr> <td>Investment properties</td> <td>14</td> <td>20</td> <td>8</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Other assets</td> <td>59</td> <td>65</td> <td>74</td> <td>74</td> <td>52</td> <td>43</td> </tr> <tr> <td>Total Assets</td> <td>371</td> <td>358</td> <td>379</td> <td>416</td> <td>389</td> <td>400</td> </tr> </tbody> </table> <p>The overall asset base of the entity has increased to Rs. 400m (FY23: Rs. 389 million) in 3rd Quarter FY24. The financing portfolio, consisting of Ijarah, Musharakah, and Murabaha modes of financing, continues to serve as the primary component of asset base. During FY23 and 9M'FY'24, financing under Diminishing Musharakah witnessed a significant increase, as part of the management's plan to increase car financing under Diminishing Musharakah mode of financing. While short-term investments have increased on timeline basis, it depicted a decline in FY23 and 9M'FY'24 due to management's decision to liquidate a portion of these investments amid depressed stock market conditions and use the resources in core business operations.</p> <p>Cautious Portfolio growth</p> <p>The gross portfolio of the entity has demonstrated stability, maintaining levels of (FY22: 330m & FY23: 334m), with noticeable improvement to Rs. 364m in 9M'FY'24. While Musharakah portfolio (FY22: Rs. 29m, FY23: Rs. 96m, 9M'FY'24: Rs. 181m) recorded strong growth, it was offset by decline in Ijarah and Murabaha portfolios, leaving the gross portfolio fairly stable. Within the Musharaka portfolio, the shift was towards more secured car financing.</p>		FY19	FY20	FY21	FY22	FY23	9M'FY24	Financing (net)	290	254	270	309	313	342	Short term investments	8	18	26	33	24	15	Investment properties	14	20	8	-	-	-	Other assets	59	65	74	74	52	43	Total Assets	371	358	379	416	389	400
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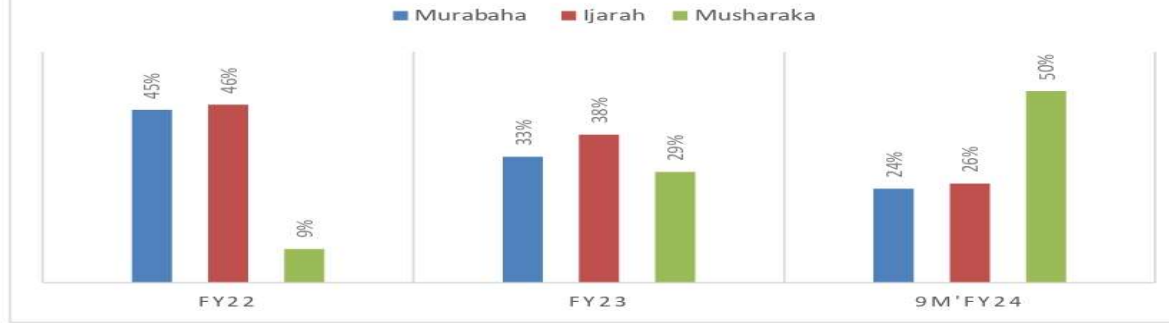
the leasing business for the last 42 years having held very senior assignments with Bank of Credit & Commerce International, United Kingdom. He has been the Chief Executive Officer of the Modaraba for more than 17 years.

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.

Contingencies and commitments

The ongoing hearing regarding the non-applicability of sales tax on Modarabas is of significant interest. As such, no provision for any sales tax liability on rentals of lease financing has been accounted for in the financial statements.

GROSS PORTFOLIO DISTRIBUTION



In view of the heightened credit risk environment, the Modaraba Company has followed a prudent and cautious lending strategy, whereby corporate and high net worth individuals have been focused for new disbursements, with limited SME exposure. In FY23, disbursements accounted for 55% (FY22: 38%), to the high-net-worth individuals, 37% (FY22: 57%) to Corporate sector and 8% (FY22: 5%) to SMEs.

Within the corporate and SME exposures, main sectors included Healthcare (13%), Media (8%), Agriculture (6%), and Energy Oil and Gas (6%).

Infection remained contained

Gross Non performing loans (NPL) were contained by the management in FY23 with further improvement noted in HYFY24 with gross NPLs recorded at Rs.74m (FY23: Rs.80m, FY22: Rs.81m). No new NPL 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.

	FY20	FY21	FY22	FY23	1H'FY24
Gross Infection	40.1%	23.6%	9.7%	11.3%	9.5%
Provisioning Coverage	-	-	26.4%	26.3%	29.5%
Net Infection	25.3%	18.0%	3.3%	4.3%	2.7%

While provision coverage is lower, management takes comfort from underlying collateral assets providing sufficient coverage. Going forward, management expects recoveries of around Rs 50m against litigated portfolio mainly from Al-Rai Roller Flour Mills and Prime Traders. They also expect settlement in DHA Lahore case which has been in contention for some time.

Uptick in profitability on the back of improved spreads

Rs. in millions	FY20	FY21	FY22	FY23	9M'FY24	FY24	FY25
	Actual				Projections		
Operating Revenue	29.4	34.8	33.1	38.5	38.6	54.9	67.5
- Income on financing	28.4	26.3	32.7	38.5	44.4	60.7	64.0
- Short-Term Investment	0.9	8.4	0.4	(0.1)	(5.8)	(5.8)	3.4
Other Income	5.4	9.6	42.6	2.7	2.2	3.0	3.3
Total Income	34.8	44.3	75.8	41.2	40.8	57.9	70.7
Operating Expenses	(30.5)	(36.4)	(43.5)	(37.3)	(27.0)	(36.1)	(40.6)
Efficiency	88%	82%	57%	91%	66%	62%	57%
Provision against assets (Doubtful receivables)	(1.9)	-	(5.0)	(1.7)	(1.4)	(1.8)	(2.5)
Unrealized gain/(loss) on revaluation of financial assets	0.8	1.1	(12.4)	(1.1)	13.6	13.6	6.8
Other (Net)	(0.5)	(1.1)	(1.8)	(0.1)	(6.7)	(7.6)	3.0
	(1.7)	0.1	(19.2)	(2.9)	5.5	4.2	7.3
Profit Before tax	2.6	8.0	13.1	1.0	19.3	26.0	37.4
Profit After tax	1.7	6.6	11.4	(0.1)	16.1	21.6	31.1

Modaraba posted an operating profit before tax of Rs. 1.01 million for FY23. However, due to the revocation of the earlier tax exemption, a tax liability of Rs. 1.08 million was recorded, leading to a slight loss of Rs. 0.07m at year end FY23. During 9M'FY24, the Modaraba observed a significant uptick in profitability to Rs. 16.1 million. The improvement in profitability is partly due to redeployment of funds at better spreads as well as contribution from unrealized gain of Rs.13.6 million on the investment portfolio.

Operating revenues depict improvement year over year; however, market risk exposure of the investment portfolio remains a challenge. Also, last year Trust Modaraba recorded a one-off settlement against litigated portfolio which boosted the revenue of the Company. Operational efficiency remains on the higher side, although it depicts an improvement in 9MFY24.

Leverage indicator remains sound given the entity's debt free capital structure

TM's leverage indicators continue to remain on the lower side given no borrowings on the balance sheet. Equity profile has improved at end HYFY24 to Rs. 340m (FY23: 326m, FY22: 326m) due to improved profitability.

Liquidity profile is considered adequate with liquid assets providing 56% (FY23: 115%) coverage to current liabilities.



WAY FORWARD.

- 1) To increase the operational base of the Modaraba through resource mobilization and recovery of funds stuck in legal cases
- 2) Given the economic challenges and political uncertainty, Trust Modaraba shall pursue even more carefully, its prudent business policies to build solid foundation of client base and strengthen risk profile of the Modaraba.
- 3) To build a solid foundation of client base and strengthen risk profile of the Modaraba.



THANK YOU



Q & Ans.