



FIRST PUNJAB MODARABA

(Managed by Punjab Modaraba Services (Pvt) Limited)

CORPORATE BRIEFING SESSION

October 14, 2024

PROFILE OF FIRST PUNJAB MODARABA

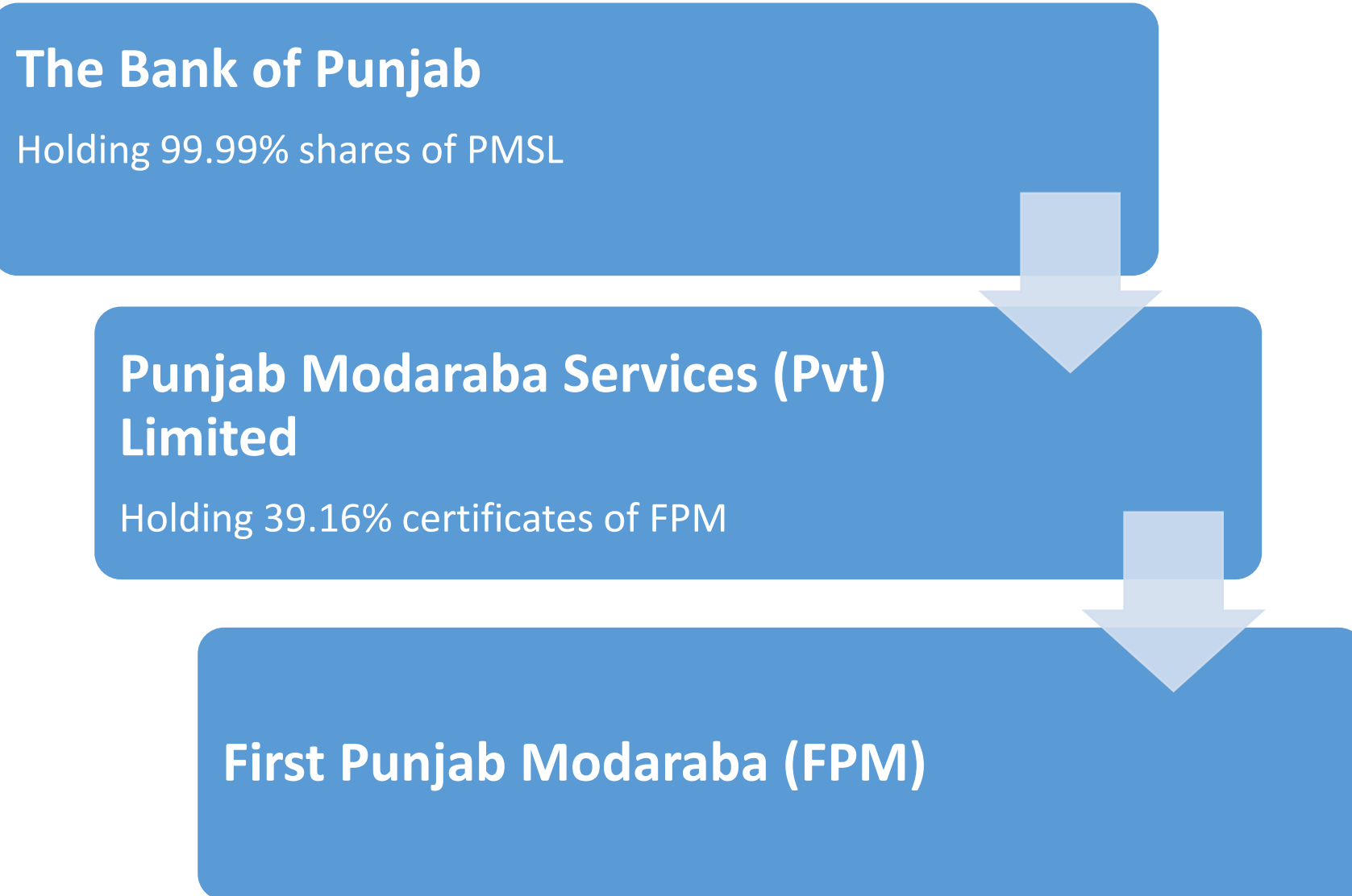
MODARABA - CONCEPT AND IDEOLOGY

- Modaraba is one of the prime modes of Islamic Financial System.
- In light of the recommendations made by the Islamic Ideology Council in 1980s, the Government of Pakistan introduced certain changes in the Banking Companies Ordinance and promulgated the Modaraba Companies & Modaraba (Floatation & Control) Ordinance, 1980 to provide a legal framework for Islamic financial system.
- Amongst other activities, the Modarabas were allowed to undertake Ijarah, Murabahah, Musharakah, Salam and Istisna, project financing activities, investment in the stock market and can act as a special purpose vehicle.

CORPORATE PROFILE

Management Company	Punjab Modaraba Services (Pvt.) Limited
Date of incorporation	1992
Board of Directors	Mr. Nadeem Amir – Chairman Mr. Ijaz UR Rehman Qureshi – Director Mr. Umer Iqbal Sheikh – Director Mr. Imran Bashir – Director Mst. Samina Afsar - Director Mr. Khawar Shahid Ansari – Director Mr. Mudassar Kaiser Pal – CEO (A)
Parent Company	The Bank of Punjab
Registered Office	Office # 100, 3 rd Floor, National Tower, 28-Egerton Road, Lahore
Credit Rating	A- (Long term) A2 – Short term
Auditors	Kreston Hyder Bhimji & Co., Chartered Accountants
Share Registrar	Hameed Majeed Associates (Pvt) Ltd.

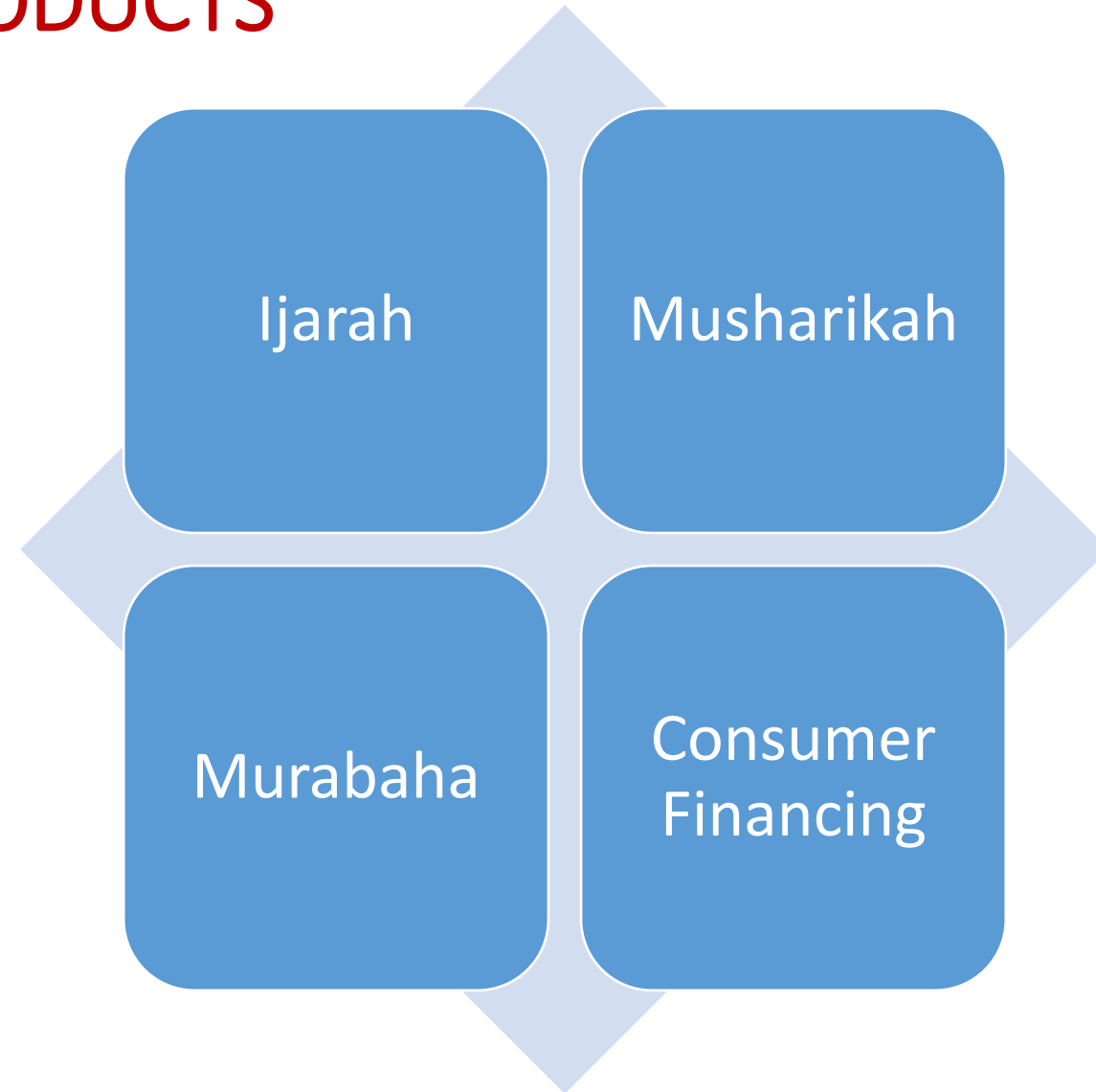
GROUP ORGANIZATIONAL STRUCTURE



PROFILE OF PARENT BANK

- One of the prominent financial institutions of the country, established in 1989.
- A listed bank, with shares traded on the Pakistan Stock Exchange.
- Provides a diverse range of banking and financial services.
- Total assets over Rs.2,269 billion and equity of Rs.77.21 billion.
- Has an extensive network of over 845 branches throughout Pakistan.
- Rated by PACRA as AA+ Long Term and A1+ Short Term.

LENDING PRODUCTS



*SECTOR INTRODUCTION/ REGULATORY
FRAMEWORK*

SECTOR GLIMPSE

The Modarabas are operating in Pakistan for the last over 44 years as a unique model and no example of similar legal entities is found in rest of the world.

The key figures are as under:

(Rs. In million)

	2023	2022
No. of Modarabas	22	25
Total Equity	22,231	26,400
Financing assets	36,386	33,272
Investments	4,879	5,750
Total assets	53,032	61,584
Borrowings	3,508	9,292
Net Profit	1,490	1,455
Cash Dividend & Bonus	589	512

SECTOR CHALLENGES

- **Regulatory Challenges**

There is a pressing need for regulatory reforms that streamline processes, widen its scope of business, tax regime, provide clarity, and create an environment conducive for their growth.

- **Absence of Tech-based operations**

In an era dominated by technological advancements, the absence of a robust fintech ecosystem poses a considerable challenge for Modaraba entities.

- **Paucity of Funds / Liquidity**

To overcome this challenge, strategic efforts are required to attract larger investments and broaden the investor base.

REGULATORY FRAMEWORK

- Formed under the Modaraba Companies & Modaraba (Floatation and Control) Ordinance, 1980.
- A shariah compliant islamic financial institution, regulated by SECP.
- Commenced operations in 1992 as a perpetual and multi-purpose modaraba, engaged in leasing, musharikah and morabaha financing.
- Managed by Punjab Modaraba Services (Private) Limited, wholly owned subsidiary of the Bank of Punjab.
- Listed on Pakistan Stock Exchange since 1993.

SWOT ANALYSIS

Strength: FPM is owned by The Bank of Punjab, rated AA+ for long term and A1+ for short term having vast branch network and large asset base. The continued support from parent bank forms fundamental strength of FPM.

Weakness: The highly leveraged position and stuck up cases are hampering organic growth.

Opportunities: FPM is a perpetual and multi-purpose Modaraba which can undertake a broad spectrum of commercial and business activities as suited to its risk appetite and resources.

Threat: The high interest rate scenario and economic recession in the country poses threat on both funding and lending sides.

STRATEGY / TECTICAL APPROACH

FRESH ASSET BOOKING

- FPM has a demonstrated ability of booking fresh assets and has its own niche in the market.
- Prevailing market lending rates will be applied to respective products to meet financing needs of prospective customers.
- Repeat business from existing portfolio will constitute significant contribution towards fresh business, while new customers will be added as per historic trends.
- The assets entailing attributes like identifiability, standalone nature, easily repossess able and registerable in name of FPM will be preferred.
- Small ticket business will be preferred unless the party and the credit proposal is otherwise exceptionally sound.

PORTFOLIO RECOVERY

- Recovery team will continue to play its role in regular recovery of rentals.
- Recovery through Banking Courts is an essential element of recovery campaign.
- In addition, FPM is successfully pursuing a new avenue, in form of criminal proceedings against defaulters.
- The pressure exerted through criminal proceedings bore fruits and substantial cash recovery from non-performing assets was made during last three years.
- Reasonable amount of recovery is expected in future from above avenue.

DIVERSIFICATION OF BUSINESS OPERATIONS

- It has been vehemently considered that FPM should utilize its full potential as a multi-purpose Modaraba and should not restrict itself to banking model only.
- Resultantly, the Management of FPM is of considered opinion that Modaraba should diversify its business model by adding trading, provision of services and other permissible business segments.
- The new segments commensurate with capabilities and strengths of FPM with reasonable returns and sustainable growth opportunities are being explored.

EXPANSION OF OUTREACH

- With limited number of clients FPM is able to conduct business from single office. However, FPM has the opportunity to use branch network of BOP in any town so that outstation requests can be entertained.
- This will help FPM in maintaining relationships in other major cities like Karachi, Islamabad, Faisalabad, Gujranwala, Multan etc.
- FPM is not planning to open branches/offices in other cities in near future.

SUSTAINED PROFITABILITY

- In addition to above enunciated measures, the profitability of FPM will be improved by increasing average spread on current investment options.
- The financial cost will be kept align with declining trend in profit rates.
- FPM will be operated on a rational administrative approach with check on unnecessary overheads and wastage of resources, with a view to improve profitability.

FINANCIAL INFORMATION

(Rupees in millions)

STATEMENT FINANCIAL POSITION

	June 20	June 2021	Dec 2021	Dec 2022	Dec 2023	June 2024
ASSETS						
NON CURRENT ASSETS						
Assets under ijarah	509.91	450.44	331.57	237.10	148.07	170.05
Musharikah investment	641.21	567.00	689.05	869.53	828.30	940.95
Morabaha investment	299.37	251.72	208.85	224.36	186.95	180.22
Other non current assets	144.21	144.32	147.95	142.44	114.98	117.56
TOTAL NON CURRENT ASSETS	1,594.69	1,413.48	1,377.41	1,473.43	1,278.30	1,408.78
Current assets						
Short term investments	-	6.98	239.48	253.37	399.70	437.34
Other current assets	464.17	415.81	329.93	277.85	278.20	260.63
Cash and bank balances	25.10	111.75	135.28	26.68	233.54	40.19
TOTAL CURRENT ASSETS	489.28	534.54	704.69	557.89	911.45	738.16
TOTAL ASSETS	2,083.97	1,948.02	2,082.10	2,031.32	2,189.74	2,146.94
EQUITY AND LIABILITIES						
Issued, subscribed and paid-up certificate capital	340.20	340.20	340.20	340.20	340.20	340.20
Reserves	(202.90)	(195.48)	(265.51)	(352.72)	(462.08)	(447.41)
Subordinated funds	-	-	-	-	500.00	500.00
TOTAL EQUITY	137.30	144.72	74.69	(12.52)	378.12	392.79
NON CURRENT LIABILITIES						
Bank borrowings	1,662.29	1,549.23	1,734.10	1,825.00	1,485.00	1,485.00
Other non current liabilities	65.55	42.78	50.33	27.09	17.29	19.98
TOTAL NON CURRENT LIABILITIES	1,727.84	1,592.01	1,784.43	1,852.09	1,502.29	1,504.98
CURRENT LIABILITIES						
Unclaimed dividend	17.46	17.37	17.20	17.19	17.19	17.13
Other Current liabilities	201.37	193.93	205.78	174.56	292.15	232.05
TOTAL CURRENT LIABILITIES	218.83	211.30	222.99	191.75	309.34	249.18
TOTAL EQUITY AND LIABILITIES	2,083.97	1,948.02	2,082.10	2,031.32	2,189.74	2,146.94

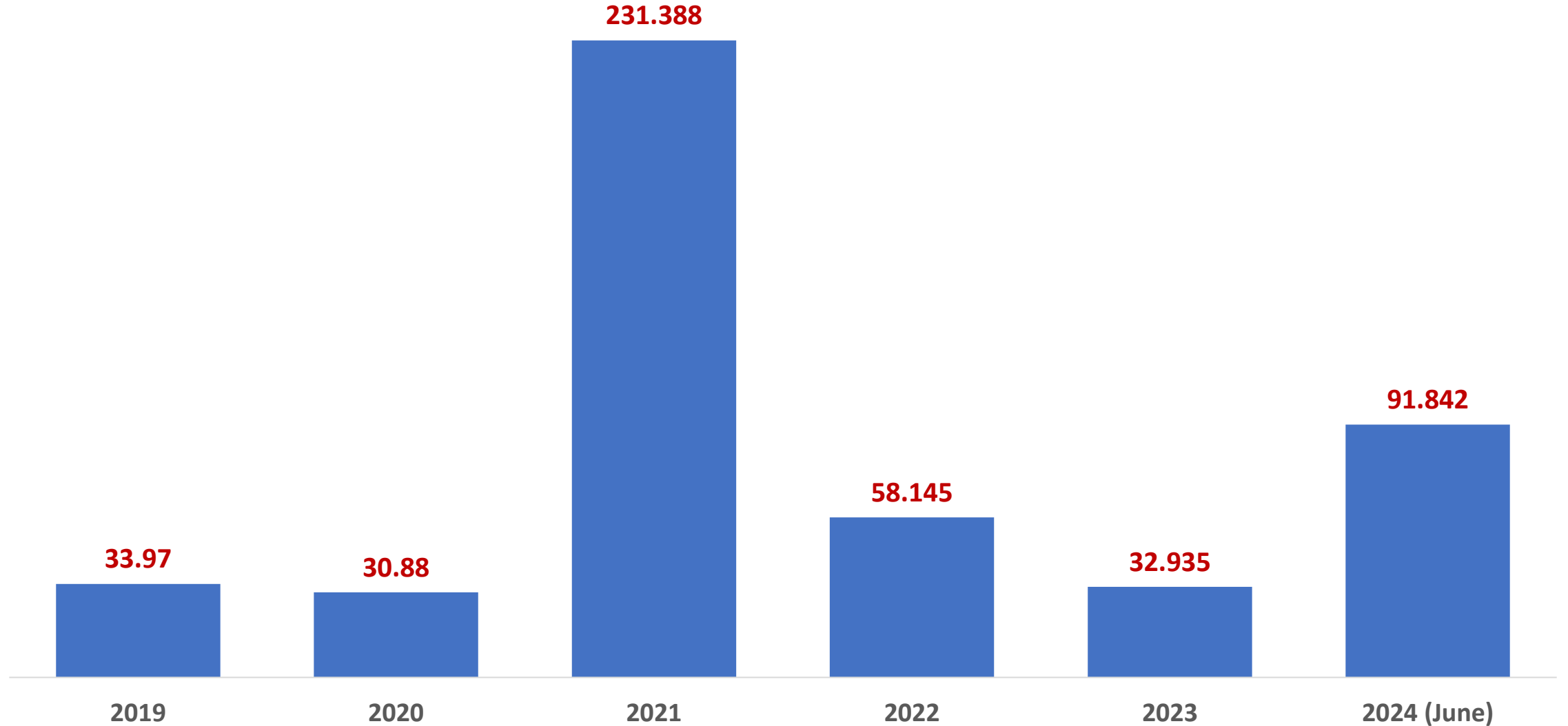
STATEMENT OF PROFIT & LOSS

PROFIT & LOSS ACCOUNT

	June-20	June-21	December-21	December-22	December-23	June 2024
Operating Income	187.39	139.45	63.85	150.68	244.36	155.94
Other Income	10.70	13.57	6.49	60.83	86.96	72.20
Total Income	198.09	153.02	70.35	211.51	331.32	228.14
Operating Expenses	45.72	24.88	26.72	69.60	79.99	37.66
Financial Charges	207.68	119.21	55.32	220.69	358.39	184.28
Management Fee						
Total Expenses	253.40	144.08	82.04	290.28	438.38	221.95
Provision/ (Reversal)	-		(10.34)	2.57	46.24	(8.33)
Profit/ (Loss) before Taxation	(55.31)	8.94	(1.35)	(81.34)	(153.30)	14.52
Taxation	-	1.52	-	(6.20)	41.74	0.15
Profit for the year	(55.31)	7.42	(1.35)	(87.54)	(111.56)	14.67
Earning/ (Loss) per certificate	(1.63)	0.22	(0.04)	(2.57)	(3.28)	0.43

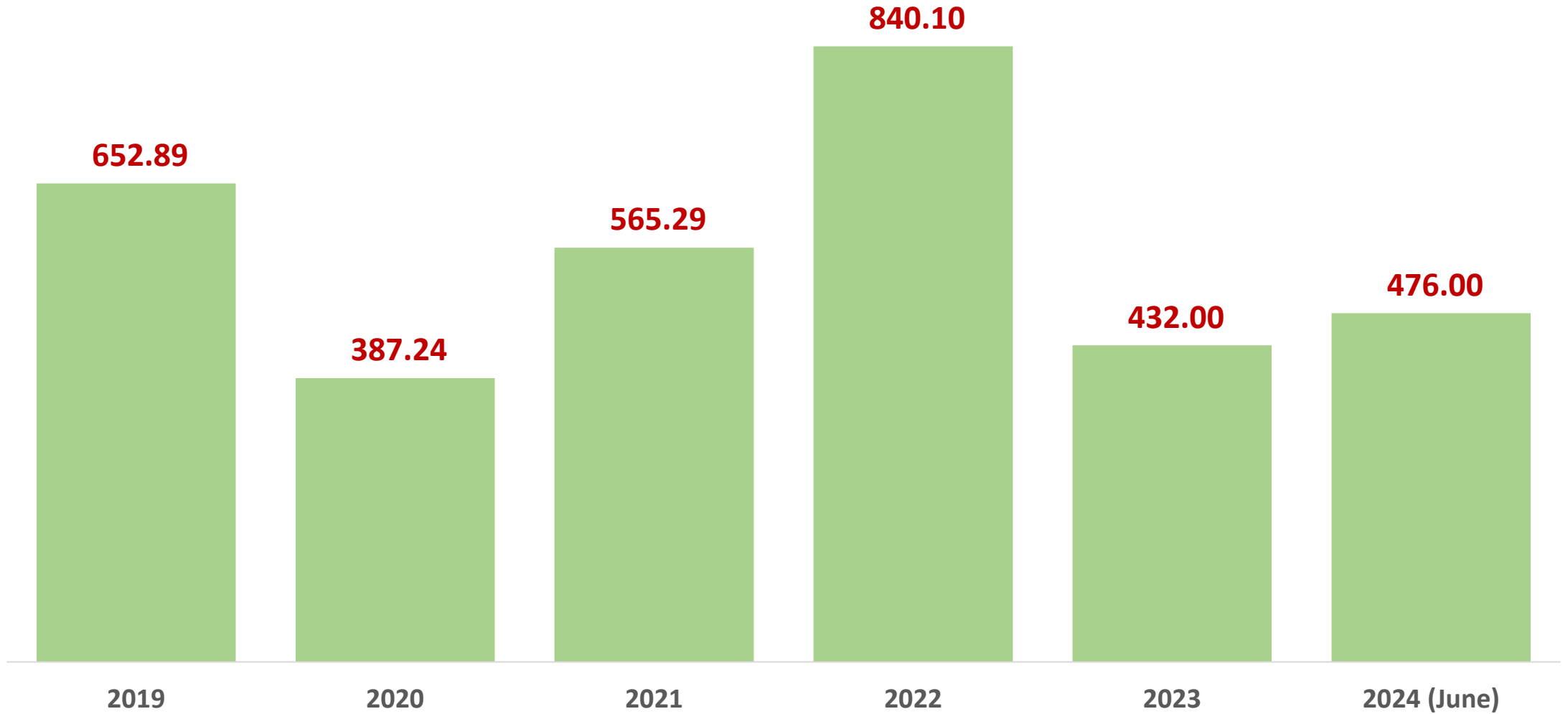
NPL - YEAR WISE CASH RECOVERY

Rupees in million



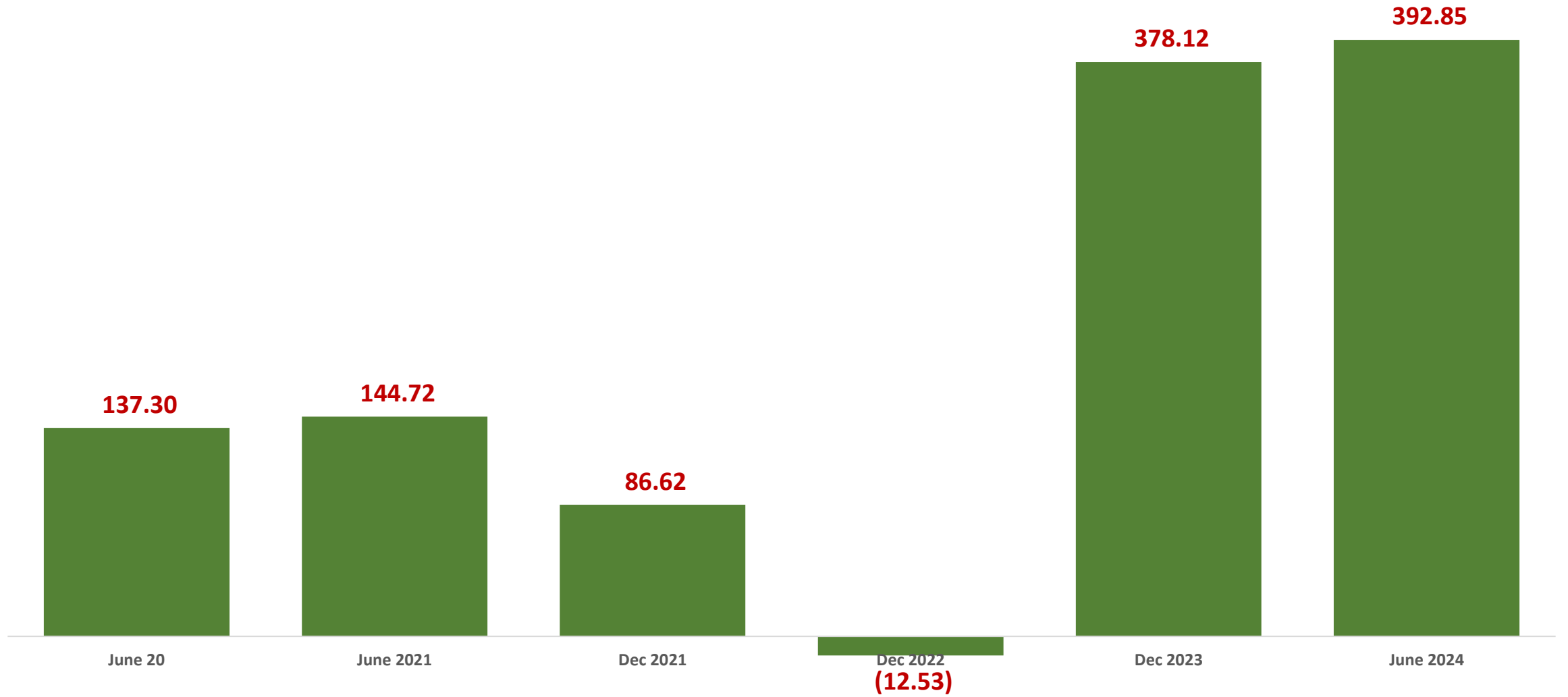
FRESH BUSINESS

Rupees in million

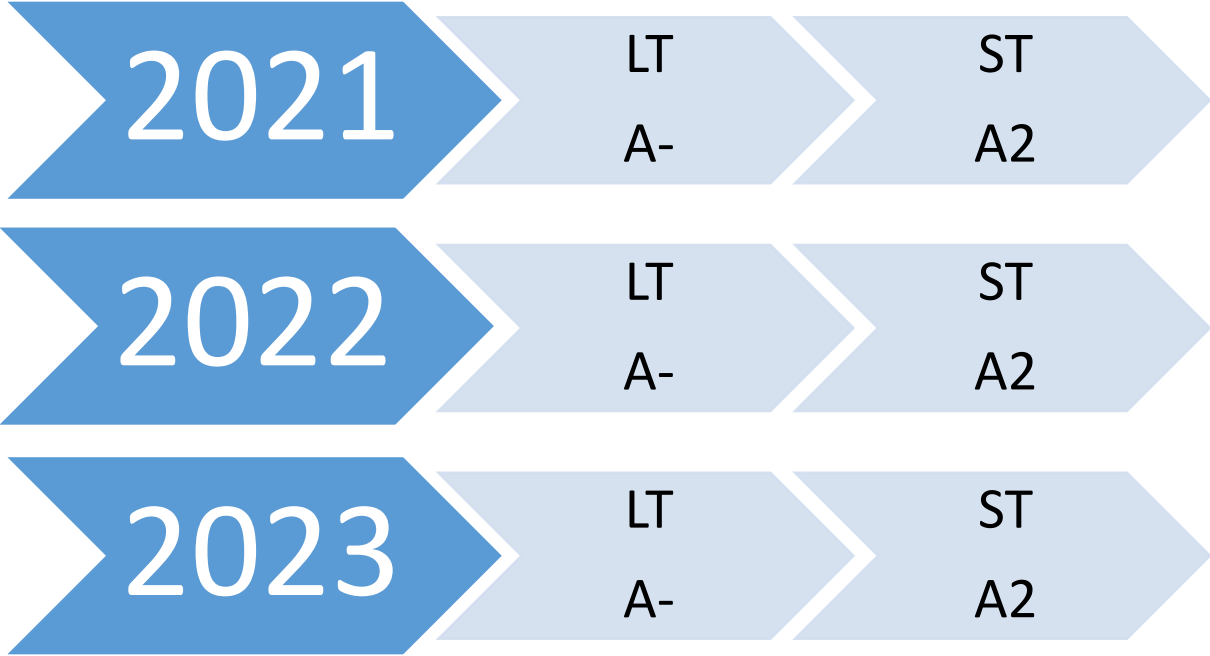


TOTAL EQUITY

Rupees in million



03 YEARS CREDIT RATING BY PACRA



QUESTION & ANSWERS