

Press Release

VIS Upgrades Entity Ratings of Sindh Modaraba

Karachi, December 24, 2025: VIS Credit Ratings Company Ltd. (VIS) has upgraded entity ratings of Sindh Modaraba ('SINDM' or the 'Modaraba') to 'AA-/A1+' (Double A Minus/A One Plus) from 'A+/A1' (Single A Plus/A One). The medium to long-term rating of 'AA-' signifies high credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. The short-term rating of 'A1+' denote strongest likelihood of timely repayment of short-term obligations with outstanding liquidity factors. Outlook on the assigned rating is 'Stable'. The previous rating action was announced on November 13, 2024.

The ratings assigned to Sindh Modaraba ("SINDM" or "the Modaraba") reflect the strong sponsor profile of the Government of Sindh (GoS), which holds a 94.3% shareholding through Sindh Modaraba Management Limited (SMML). The most recent demonstration of explicit sponsor support is the approval of PKR. 2bn in equity allocated towards Sindh Modaraba of which PKR 1bn would be injected in the current financial year. The ratings also incorporate the financial strength and management expertise of SMML, with liquidity profile being sound and capitalization profiles set to strengthen further. Rating drivers include growth in gross portfolio during FY25, supported by an improved macroeconomic environment and lower policy rates. Asset quality strengthened as reflected by a decline in NPLs within the Diminishing Musharakah (DM) portfolio, while the recently generated short-term Murabaha financing portfolio further supports credit quality, carrying no NPLs to date.

On the other hand, the substantial reduction in policy rates and rising operating expenses will exert pressure on profitability; while sustaining earnings in a low-rate environment will pose challenges, the recently announced equity injection and growth that can materialize as a result of it, will be supportive of earnings generation ability.

For further information on this ratings announcement, please contact at 021-35311861-64 or email at info@vis.com.pk.

Applicable Rating Criteria: Non-Bank Financial Companies

<https://docs.vis.com.pk/Methodologies-2025/NBFC-Nov-2025.pdf>

VIS Issue/Issuer Rating Scale

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