



FIRST HABIB MODARABA CORPORATE BRIEFING SESSION JUNE 2021

CORPORATE BRIEFING

- ▶ About First Habib Modaraba
- ▶ Group Structure
- ▶ Operational Activities
- ▶ Financial Performance
- ▶ Awards and Achievements

ABOUT FIRST HABIB MODARABA

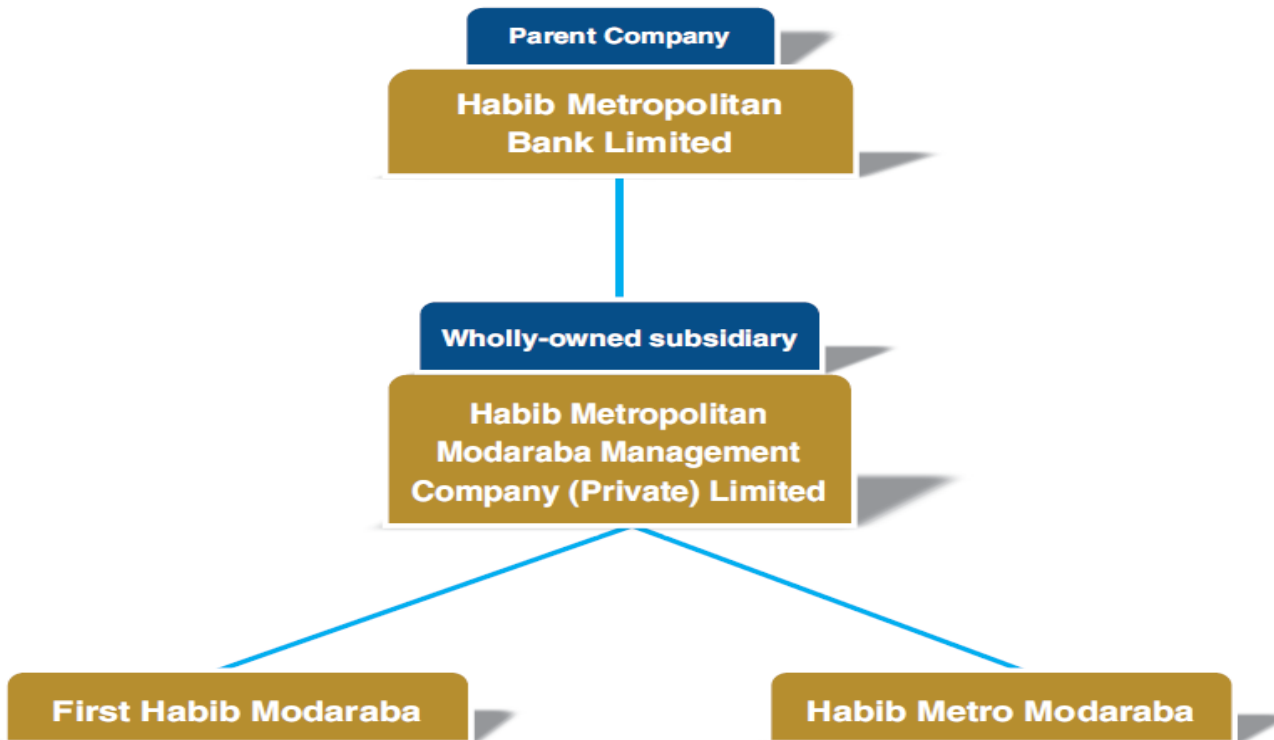
BRIEF ON FHM

First Habib Modaraba (FHM) was established in 1985 as Non-Bank Islamic Financial Institution as one of the pioneers within Modaraba Sector. FHM Completed 36 years of successful business operations within the Modaraba Sector of Pakistan. With a track record of excellent performance of more than 3 decades is the success story of dedication and commitment to provide the investors a sound and continuous return.

Over the Years FHM as been continuously recognizing for its satisfactory results, good corporate governance, best report culture and sound and stable credit rating.

Our commitment to enhance value for our stakeholders, driven though resilience of our business model and determination of our team members made us sound and leading Modaraba within the Modaraba sector.

GROUP STRUCTURE



BRANCH NETWORK

- ▶ Karachi
- ▶ Lahore
- ▶ Islamabad
- ▶ Multan

OPERATIONAL ACTIVITIES

BUSINESS ACTIVITIES OF FHM

Lease Financing

On rental basis for Motor Vehicle, Machinery and Equipment .

Diminishing Musharaka Financing

Diminishing Musharakah (DM) is a form co-ownership between the financial institution (FI) and the customer on fixed asset. Customer gradually buy the ownership units from FI through pre-agreed instalments.

Consumer Car Financing (SIRAT)

Auto financing for individuals

Investment in equity market

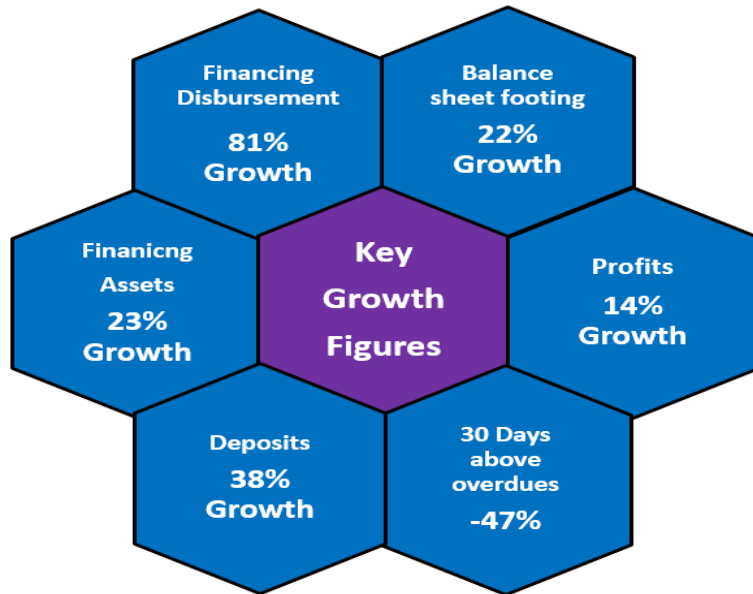
Investment in Shariah compliant listed securities including Islamic debt instrument

Certificate of Musharaka (COIs) (Liability side)

Products of deposits for fixed term from 3 months to 5 years

FINANCIAL PERFORMANCE

FINANCIAL HIGHLIGHTS FOR THE YEAR 2020-2021



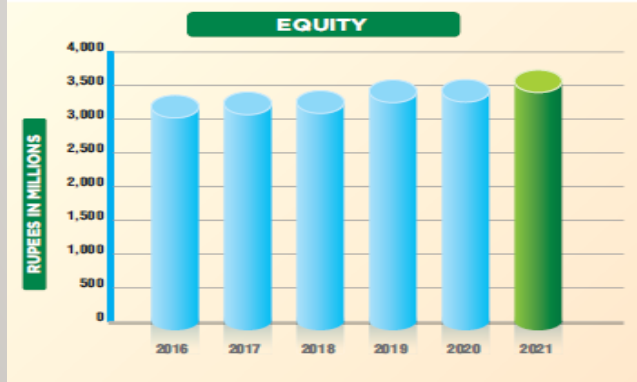
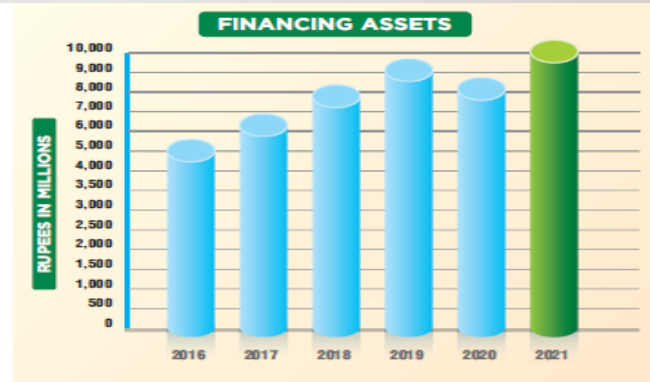
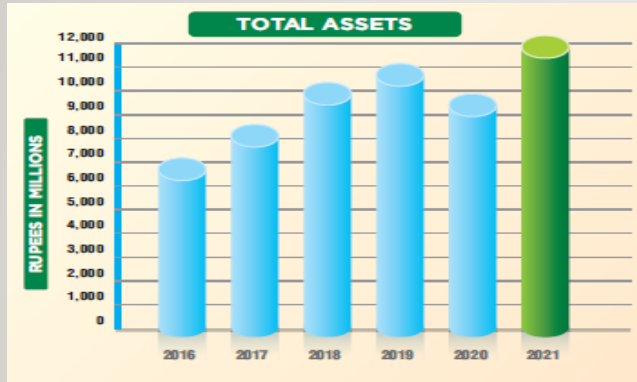
- All time high disbursement of Rs.6.6 billion in any single year since business operations.
- First time Balance Sheet footing crossed Rs.12.0 billion plus mark.
- Financing assets portfolio touched Rs.10.0 billion.
- Deposits reached to Rs.7.0 billion, again highest in any year since business operations.
- Overdue of 30 days and above reduced to 47%.

Key Financial Data of Two Years

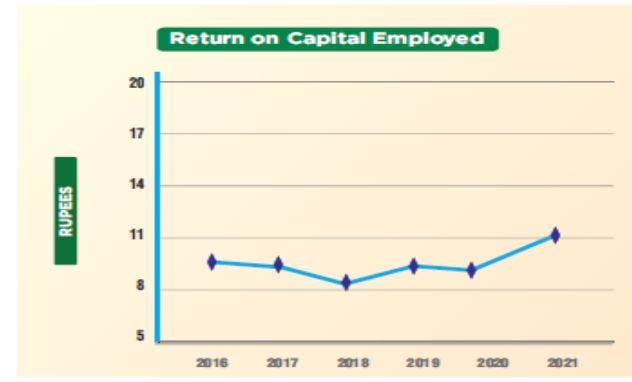
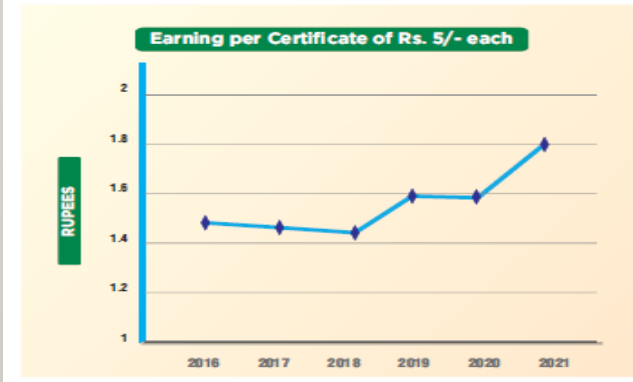
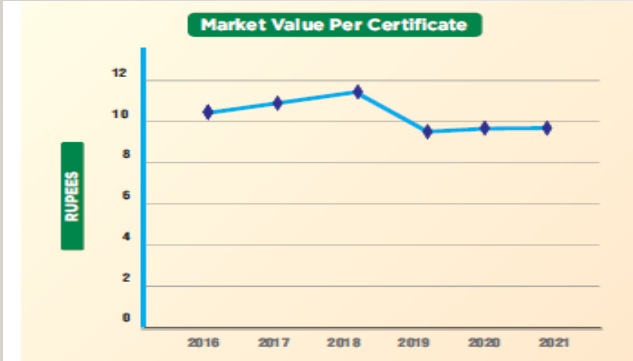
(Rupees in Million)

| Key Financial Data | 2021 | 2020 | Variance |
|-------------------------------------|--------|--------|----------|
| Total Assets | 12,123 | 9,913 | 22.29% ↑ |
| Certificate Holders' Equity | 3,627 | 3,547 | 2.26% ↑ |
| Certificate of Musharaka | 7,291 | 5,280 | 38.09% ↑ |
| Net Profit | 363.15 | 316.68 | 14.67% ↑ |
| Earning Per Certificate (Rs.5 each) | 1.80 | 1.57 | 14.65% ↑ |
| Return on equity (%) | 10.01 | 8.93 | 12.09% ↑ |
| Cash Dividend (%) | 28.0 | 28.0 | 0.00% ← |
| Dividend yield ratio(%) | 14.29 | 14.07 | 1.56% ↑ |

GRAPHICAL PRESENTATION OF FINANCIAL SUMMARY

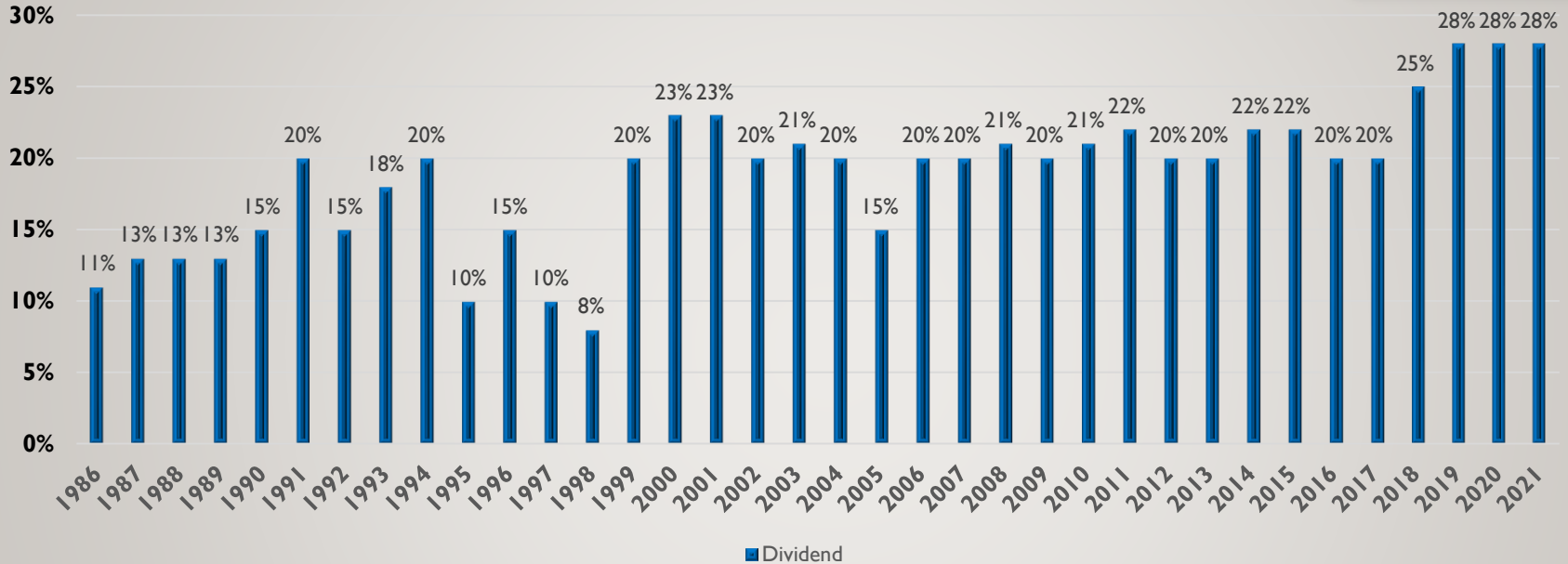


GRAPHICAL PRESENTATION OF FINANCIAL SUMMARY



Dividend History

Highest Dividend 28.0%

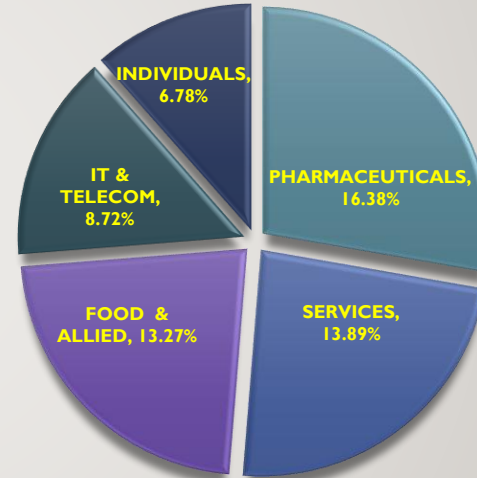


- 36 years Average Dividend Payment 18.86% Per Annum
- Three Years of Highest Dividend of 28.0% in a row

SECTOR ENGAGEMENTS (TWO YEARS COMPARISON)

| Sector | 2021 | | 2020 | |
|---|-------------------------|------------------|-------------------------|------------------|
| | Exposure PKR Million | % to Exposure | Exposure PKR Million | % to Exposure |
| PHARMACEUTICALS | 1,766 | 16.38% | 1,743 | 19.99% |
| SERVICES | 1,496 | 13.89% | 1,515 | 17.38% |
| FOOD & ALLIED | 1,429 | 13.27% | 954 | 10.88% |
| IT & TELECOM | 939 | 8.72% | 269 | 3.07% |
| INDIVIDUALS | 730 | 6.78% | 557 | 6.35% |
| TEXTILE | 691 | 6.41% | 361 | 4.11% |
| CHEMICAL | 678 | 6.29% | 613 | 6.98% |
| AUTO & ALLIED | 480 | 4.45% | 338 | 3.85% |
| CARGO, COURIER LOGISTICS | 426 | 3.96% | 399 | 4.55% |
| STEEL & ENGINEERING | 358 | 3.32% | 195 | 2.22% |
| CABLE & ELECTRICAL GOODS | 341 | 3.17% | 238 | 2.71% |
| SUGAR ALLIED | 240 | 2.23% | 207 | 2.36% |
| REFINERY, LUBRICANT, OIL & GAS MARKETING | 204 | 1.89% | 400 | 4.56% |
| HEALTH CARE | 173 | 1.60% | 143 | 1.63% |
| FINANCIAL INST. & INSURANCE | 165 | 1.53% | 124 | 1.41% |
| FERTILIZER | 142 | 1.32% | 118 | 1.35% |
| EDUCATION | 97 | 0.90% | 159 | 1.82% |
| PAPER AND BOARD | 96 | 0.89% | 60 | 0.68% |
| CEMENT | 94 | 0.87% | 84 | 0.96% |
| GLASS AND CERAMICS | 67 | 0.62% | 28 | 0.32% |
| CONSTRUCTION | 62 | 0.58% | 101 | 1.15% |
| FUEL, POWER, AND ENERGY | 37 | 0.34% | 28 | 0.32% |
| OIL & GAS EXPLORATION | 32 | 0.30% | 54 | 0.62% |
| OTHERS | 24 | 0.23% | 27 | 0.31% |
| LEATHER AND TENNARIES | 6 | 0.06% | 7 | 0.08% |
| Total Exposure | 10,775 | 100.00% | 8,722 | 100.00% |

**Top 5 Sectors
As on June 30, 2021**



SHARE OF FIRST HABIB MODARABA WITHIN THE MODARABA SETOR OF PAKISTAN AS ON JUNE 2020



Source : Year Book of NBF1 & Modarba Association of Pakistan of 2020

AWARD AND ACHIEVEMENTS

AWARDS RECEIVED DURING THE YEAR 2020-2021



BEST PERFORMING MODARABA AWARD

The NBF and Modaraba Association of Pakistan started said award in 2020 with moto to promote entities who are performing well and also adhering to best corporate and governance culture within the sector.

Alhamdulillah, FHM securing said award almost every year by meeting the winning criteria. So far FHM has received 20 awards since last 22 years from said association.



BEST CORPORATE REPORT AWARD

The Joint Committee of ICAP and ICMAP promote best report culture with the aim to encourage local companies to follow transparency in preparing their annual reports according to international accounting standards.

Every year, said committee evaluates and assess corporate reports in line with prescribed criteria. The criteria not only comprise on mandatory requirement of Companies Ordinance, the Code of Corporate Governance and International Financial Reporting Standard but also encourages adopting best business practices and good governance being followed all over the world.

Since last 12 years, FHM is securing best report award and this our 3rd consecutive years of winning First Position. Out of 12 awards, so far FHM has secured 6 awards of First Position and the only entity within Modaraba and NBFs sector who has made twice Hat-Trick in securing 1st Position



AWARDS RECEIVED DURING THE YEAR 2020-2021



FPCCI ACHIEVEMENT AWARD

The FPCCI, which is the apex body of trade and industry of Pakistan, is promoting the interest of Pakistan's Commercial and Industrial community as well as economic and socio-economic activities.

To encourage the outstanding Organizations and Individuals, FPCCI organizes "FPCCI Achievement Awards", to cater their performance, so as to recognize and honor the dedicated individuals and enterprises of Pakistani origin who have made sustained and lasting contribution in economic and socio-economic development of Pakistan.

On September 24, 2020 FPCCI has awarded "FPCCI Achievement Award" to FHM under the category of "Islamic Modes of Financing". This recognition has been given to FHM for outstanding achievement during 2020 within NBFIs and Modaraba sector. So far FHM has secured 3 awards from FPCCI in above category.



BEST PRESENTED ANNUAL REPORT AWARD

South Asian Federation of Accountants (SAFA) in its award ceremony was held at Colombo, Sri Lanka, in December, 2020, awarded SAFA BPA "Certificate of Merit" award for "Best Presented Annual Report Award" and "SAARC Anniversary Award for Corporate Governance Disclosures".

SAFA which is the Apex Body of the South Asian Association for Regional Co-operation (SAARC) and a Regional Grouping of the International Federation of Accountants (IFAC). The SAFA BPA Award is considered as the most prestigious accolade for financial reporting in the South Asian region and signifies SAFA's recognition and reward for organizations within the region.

Alhamdulillah, FHM is receiving said award since last eleven consecutive years within the category of Financial Services sector.



UPDATE POSITION OF AWARDS AND ACHIEVEMENTS



CREDIT RATING

**Date**

23-Sep-21

Analyst

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Applicable Criteria

- Methodology | Non-Banking Finance Companies Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Transition and Default | Jun-21

Related Research

- Sector Study | Modaraba &

PACRA Maintains Entity Ratings of First Habib Modaraba

| Rating Type | Entity | |
|--------------|------------------------|-------------------------|
| | Current (23-Sep-21) | Previous (25-Sep-20) |
| Action | Maintain | Maintain |
| Long Term | AA+ | AA+ |
| Short Term | A1+ | A1+ |
| Outlook | Stable | Stable |
| Rating Watch | - | - |

The ratings reflect First Habib Modaraba's (FHM or the Modaraba) strong business profile, emanating from healthy asset base, sound asset quality and sustained profitability. Additional comfort is derived from the Modaraba's affiliation with a renowned sponsor entity (Habib Metropolitan Bank). Presence of industry veterans in the management structure, along-with implementation of a robust internal control system, is considered pivotal in operational efficiency of the Modaraba. The historical performance trend speaks volumes about the distinct position FHM carries in the financial/non-financial modaraba universe. Post COVID, declining lending rates negatively impacted the topline, however, through addition of good quality financial assets and considerable financial charge reduction, the Modaraba secured a stable bottom-line for the period. FHM's capital provides strong support to the funding structure of the Modaraba, equally aided by Certificates of Musharaka (CoM). The strong capital adequacy ratio portray the Modaraba's strong capital position, should adverse circumstances arise.

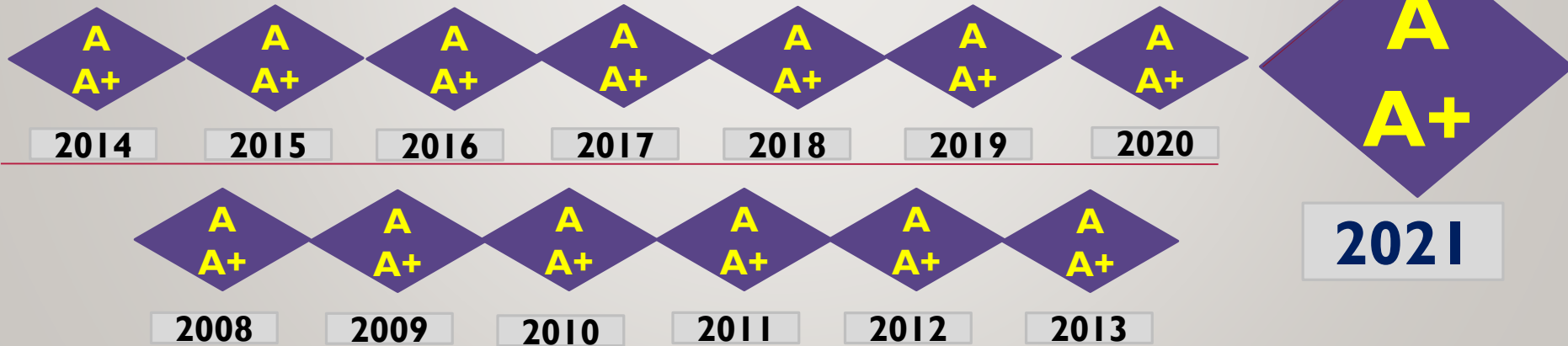
Going forward, the management intends to maintain its conservative growth strategy, as economic uncertainty is increasing due to resurgence of COVID. Further, withdrawal of tax exemptions under Finance Act, 2021, shall be a point of concern and may have negative repercussions prospectively.

CREDIT RATINGS ASSIGNED BY PAKISTAN CREDIT AGENCY LTD. (PACRA)

AA+
Long Term

A1+
**Short
Term**

AA+ Credit
Rating since
last **14** years



**Thank
You**





Question
&
Answer