

FIRST PARAMOUNT MODARABA

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB	A3	BBB	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	March 11, 2026		January 16, 2025	

Shareholding (5% or More)

General Public (Local) – 57.4%

Associated Companies – 14.3%

Shareholding 5% or more – 11.4%

General Public (Foreign) – 6.8%

Other Information

Incorporated in 1994

Public Listed Modaraba

Chairperson: Mr. Tanveer Ahmed Magoon

Chief Executive Officer: Mr. Syed Wajih Hasan

External Auditor: M/s Crowe Hussain Chaudhury & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Non-Bank Financial Companies

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

Rating Scale

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

Rating Rationale

The assigned ratings to First Paramount Modaraba (FPM or the 'Modaraba') reflect its established presence in the modaraba sector, diversified business model, and adequate liquidity profile. The Modaraba has increasingly relied on its flagship in-house venture, FPM Petro Services, which remains the primary revenue driver and has supported overall top line growth despite a contraction in the core financing portfolio. Asset quality indicators have improved, with a very low level of non-performing exposures and a predominantly secured book, underpinning manageable credit risk. Liquidity remains sound, supported by a comfortable current ratio and largely receivables and inventory. Capitalization has strengthened gradually through internal profit retention; however, equity remains below the prescribed regulatory threshold and the required minimum rating level, with extension sought from the regulator. The proposed capital enhancement initiatives, if executed as planned, are expected to materially bolster the equity base and support compliance. Governance structures and Shariah compliance frameworks are satisfactory.

Company Profile

First Paramount Modaraba (FPM or the 'Modaraba') is a multipurpose, perpetual and multidimensional Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under. It is managed by Paramount Investments Limited (the Management Modaraba), a company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) in June, 1994. The Modaraba is listed on the Pakistan Stock Exchange Limited and its registered office is located in Karachi.

The Modaraba's principal activities include deployment of funds on murabaha, modaraba and musharaka arrangements, along with operating multiple in-house ventures including electrical maintenance and troubleshooting services under the name of 'FPM Solutions', chemical business under the name of 'FPM Petro Services' and anti-money laundering screening services under the name 'FPM AML - CHECK'.

Management and Governance

BOARD STRUCTURE

BOARD OF DIRECTORS	STATUS
Mr. Tanveer Ahmed Magoon	Chairman/ Non-executive Director
Mr. Nadeem Iqbal	Non-Executive Director
Mr. Abrar Ahmed	Non-Executive Director
Mrs. Shahida Tanveer	Female Non-Executive Director
Mr. Habib Ahmed Navaid	Independent Director
Mr. Atba Waheed Farooqui	Independent Director
Mr. Syed Wajih Hassan	CEO/ Executive Director

The Board comprises seven members, including six males and one female director with two independent members. The Chairman and Chief Executive Officer positions are held separately. During the election of directors in Dec'25, Humayun Mazhar Qureshi, an Independent Director, was replaced by Atba Waheed Farooqui after completing the maximum limit of three consecutive tenures, as regulated by the SECP. Directors have confirmed that none of them serve on more than the allowed number of boards of public sector or listed companies. The Board met four times during the year.

BOARD COMMITTEES

The Board has constituted key governance committees, including the Audit Committee, HR and Remuneration Committee (HRC) and Risk Management & Credit Committee (RMCC), each mandated to oversee critical areas of control, compliance, and risk oversight. During FY25, the Audit Committee met four times, in line with its quarterly meeting requirement, reflecting consistent oversight of financial reporting, internal controls, and audit processes. The HRC met once. No RMCC meeting were held.

SHARIAH COMPLIANCE:

Mufti Muhammad Farhan Farooq is currently serving as the Shariah Advisor to the Modaraba.

For the year ended June 30, 2025, the review for Shariah compliance covered overall operations, policies, and compliance with Shariah Governance Regulations, 2023, S.R.O. 2310(I)/2022 issued by SECP, and relevant Shariah standards. The scope included review of financing products, contracts, investments, and related manuals. An external Shariah audit was also conducted during the year as per SECP requirements.

The Shariah Advisor confirmed that all transactions, documentation, and procedures were in conformity with Shariah principles and applicable regulations and no earnings from non-permissible sources were identified. The advisors recommended arranging regular Shariah awareness and training programs, reviewing and updating the Certificate of Musharaka (COM) manuals and designating a specific account for charity fund.

AUDITOR OPINION:

Auditor for FY25 was changed from Riaz Ahmad & Company, Chartered Accountants to M/s Crowe Hussain Chaudhury & Co., Chartered Accountants which is a ICAP QCR Rated Firm and categorized as 'Category A' on SBP's Panel of Auditors. The auditor issued an unqualified/unmodified opinion on the financial statements.

The auditor drew attention to the Modaraba's non-compliance with the credit rating and minimum equity requirements as stipulated in Modaraba Regulations 2021. The extension period expired on August 14, 2025; however, a renewal application has been filed with the authorities which is currently under process.

Business Risk

INDUSTRY UPDATE:

The NBFC sector expanded strongly in FY25, with assets rising 36% to PKR 5.40tr by Mar'25. Growth was broad-based, led by mutual funds (over two-thirds of sector assets), followed by modarabas and investment finance companies, while leasing and housing finance remained marginal.

Modarabas expanded through Islamic structures, and non-bank microfinance institutions leveraged digital platforms to extend outreach. Lower borrowing costs from monetary easing supported credit flows and gradual demand recovery after prolonged high rates, though fiscal consolidation and weak private investment capped expansion. SECP facilitated growth through digital onboarding, streamlined licensing, and enhanced sector oversight. Fiscal measures weighed in on disposable incomes and corporate investment appetite, though some budgetary adjustments (withdrawal of minimum rent provision, rationalized bank taxation) supported stability.

Looking ahead, NBFC growth will hinge on macroeconomic recovery, aligned with growth in the financial system. Improved capitalization and stronger governance frameworks will contribute to vesting investor confidence.

OPERATIONAL UPDATE

The modaraba operates as a financial services modaraba which operates an in-house venture, FPM Petro Services, which supplies a range of drilling chemicals in bulk quantities, including barite, caustic soda, calcium carbonate, calcium chloride, lime, sodium chloride, Kwik Seal, mica along with other industrial and raw materials. As of Jun'25, FPM Petro Services constitutes 79.9% (Jun'24: 57.5%) of total asset. It remains the flagship in-house venture, demonstrating higher revenue generation potential, and helping offset the scaled-back financing activities as seen in table below (table 2).

FPM's financing portfolio contracted to PKR 65.9mn (FY24: PKR 101.4mn; FY23: PKR 146.9mn) in FY25 and remains largely concentrated in Murabaha (78.8%), followed by Musharaka (21.2%). During FY25, total disbursements amounted to PKR 36.7m. The portfolio is predominantly secured, providing buffer against potential credit losses. As of end-June 2025, the financing portfolio constituted approximately 17.7% (Jun'24: 40.0%) of total assets.

Sector-wise breakdown of gross portfolio shows major concentration across Paper and Board (FY25: 40.4%; FY24: 25.8%), Chemical, Fertilizer and Pharmaceutical (FY25: 25.7%; FY24: 1.1%) and Food, Tobacco and Beverages (FY25: 21.2%; FY24: 35.9%) as under:

Table 1:

GROSS PORTFOLIO (PKR mn)	FY23	%	FY24	%	FY25	%
Paper and Board	3.87	2.6%	26.93	25.8%	26.76	40.4%
Chemical, Fertilizer and Pharmaceutical	14.92	9.8%	1.11	1.1%	17.03	25.7%
Food Tobacco and Beverages	51.78	34.2%	37.49	35.9%	14.03	21.2%
Others	68.77	45.4%	14.85	14.2%	6.16	9.3%
Fuel and Energy	11.84	7.8%	4.84	4.6%	1.58	2.4%
Transportation and Communication	0.29	0.2%	19.27	18.4%	0.63	1.0%
Total	151.48		104.48		66.19	

The Modaraba has also ventured into technology-driven compliance services through FPM AML - CHECK, which provides Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) screening solutions and represents a key strategic venture for the future growth. To further scale these operations, FPM has established a wholly owned subsidiary "Paramount Compliance Private Limited" dedicated to expanding AML and CFT related services. Additionally, FPM has registered a company in UK, namely 'Complytech Global Limited', to access international markets, seeking potential in emerging markets. As of Jun'25, this segment constitutes a 2.4% (Jun'24: 2.5%) of the asset base.

Also, FPM is working on a real estate tokenization venture to facilitate fractional ownership of real estate assets. This initiative utilizes blockchain technology to tokenize properties, enabling them to be traded as digital assets and broadening access to real estate investment opportunities.

PROFITABILITY

FPM has diversified its operations beyond traditional financing by establishing several in-house ventures, which provides substantial support to the revenue earnings.

Table 2:

Segment Revenue Break-up	FY24			FY25		
	Financing	FPM Petro	FPM Solutions	Financing	FPM Petro	FPM Solutions
Revenue	16.17	548.98	3.97	15.52	580.41	-
% of total revenue	2.80%	96.50%	0.70%	2.60%	97.40%	0.00%
Gross Profit	12.27	82.22	(2.29)	(45.69)	82.14	(0.18)
Gross Margin	75.90%	14.98%	-57.73%	-294.36%	14.15%	-
Net Income	(41.95)	72.52	(2.02)	(48.38)	72.44	(0.16)
Net Margin	-259.49%	13.21%	-50.93%	-311.68%	12.48%	-

Revenue from FPM petro witnessed 5.7% growth rising to PKR 580.4m, representing 97.4% of total revenues. Accordingly, FPM Petro remained the primary revenue driver for the Company. This growth underscores the Company's focus on trading modaraba as its primary revenue driver. FPM Petro Services primarily serves large oil service companies, maintaining consistent demand. Gross margin slightly reduced to 14.15% (FY24: 14.98%) while net margin reduced to 12.48% (FY24: 13.21%).

During the same period, revenue from the financing segment declined by 4.0% to PKR 15.2m (FY24: PKR 16.2m), representing 2.6% of total revenue, due to reduction in the portfolio size. The financing segment also recorded losses during the period. The gross margin declined to -294.36% (FY24: -75.90%). The net margin also declined to -311.7% (FY24: -259.5%).

Overall, in FY25, operating revenue increased to PKR 595.3 million, reflecting 4.7% rise from PKR 569.1 million. However, profitability contracted due to higher operating and net loss in financing segment while no revenue was recognized from FPM Solution during the period.

Profitability was sustained in 1QFY26, with operating revenue amounting to PKR 141.7m. Operating expenses were recorded at PKR 129.5m, resulting in a bottom line of PKR 6.2m and an efficiency ratio of 91.4%.

Financial Risk

ASSET QUALITY

FPM's strategy continued to strengthen credit risk management, reflected in a low level of non-performing loans and a gross infection ratio of 0.4% (FY24: 2.1%). Non-performing loans were reported at PKR 0.26m (Jun'24: PKR 2.1m) as of Jun'25. In 1QFY26 gross infection further declined to 0.2% in 1QFY25, owing to increase in financing portfolio, which expanded to PKR 121.2m as of Sep'25, with no increase in non-performing loans.

LIQUIDITY

The liquidity profile of the entity demonstrates adequate coverage in meeting the short-term obligations, as evidenced by the current ratio which stood at 4.38x (Jun'25: 4.66x; Jun'24: 4.35x) as at Sept'25. Trade debtors was at PKR 174.1m (Jun'24: PKR 262.7m; Jun'23: PKR 175.3m) as of Sep'25. Additionally stores in trade also increased to PKR 26.9m (Jun'25: PKR 12.5m). Both were primarily attributed to an increase in trade activities under FPM Petro Services. Notably, approximately 90% of the receivables were classified as current as of Jun'25, reflecting efficient management of receivables.

FPM mobilizes funds through the issuance of Certificates of Musharaka (COMs), which amounted to PKR 175.6m at the end of Sep'25. Changes in the Prudential Regulations for Modaraba Companies have capped the issuance of COMs at their existing levels till the revised capital and credit rating requirements are met. Although the compliance period was extended by three years in August 2022, the cap on COMs remains at the levels specified when the original regulations were introduced. Consequently, the ability to mobilize additional funds is constrained, and future growth will depend on the successful implementation of capital enhancement plans and securing the required credit rating.

CAPITALIZATION

The Securities and Exchange Commission of Pakistan (SECP) has issued "The Modaraba Regulations 2021" which established specific requirements for deposit-taking Modaraba companies. These requirements include:

- Minimum equity of PKR 500m
- Capital Adequacy Ratio (CAR) to be maintained at minimum 8% for the first two years of operations and 10% thereafter
- Minimum long term entity ratings should be is minimum of 'A-'

In August 2022, the regulator granted deposit-taking Modarabas a three-year period to comply with revised conditions. As of September 2025, FPM remains compliant with the Capital Adequacy Ratio requirement, maintaining a cushion, but continues to fall short of the minimum equity and credit rating thresholds. The Company's total equity closed at PKR 280.1 million, compared to PKR 273.9 million in June 2025 and PKR 250.0 million in June 2024.

To address this shortfall, FPM has sought an extension of the compliance deadline for minimum equity and credit rating requirements until 14 August 2026. The Company has outlined two measures to strengthen its capital base. First, it will issue Class C certificates worth PKR 70 million through cash injections from identified investors under a Shariah-compliant Musharakah structure. These certificates will carry no guaranteed returns, no voting rights, and will include an option for conversion into ordinary certificates. Second, FPM will acquire its AML/CFT software business, valued at PKR 311 million, by issuing Class B certificates worth PKR 124.4 million to Mr. Irfan Naeem Malik (Rab ul Maal). This transaction will generate a bargain gain of PKR 186.6 million, directly enhancing equity.

Both proposals have been certified by the Shariah Advisor and are fully compliant with IFRS, the Modaraba Rules 1981, and Shariah principles.

FINANCIAL SUMMARY					(In millions)
BALANCE SHEET	Jun'22	Jun'23	Jun'24	Jun'25	Sept'26
Total Financing	201.0	146.9	101.4	65.9	121.2
Murabaha Financing	155.6	115.4	75.5	52.0	107.2
Diminishing Musharaka Financing	3.5	0.7	0.0	0.0	0.0
Musharaka Financing	40.0	28.9	25.9	13.9	14.0
Modaraba Financing	1.9	1.8	0.0	0.0	0.0
Trade debtors	67.7	91.4	175.3	262.7	174.1
Cash and Cash Balances	79.0	46.4	47.1	18.2	18.8
Total Assets	466.5	449.7	474.9	509.3	523.8
COMs (certificate of Musharaka)	177.5	167.5	168.4	173.4	175.6
Total Liabilities	251.6	228.2	224.9	235.4	243.6
Paid up capital	137.9	137.9	137.9	137.9	137.9
Net Worth	214.9	221.5	250.0	273.9	280.1
INCOME STATEMENT	FY22	FY23	FY24	FY25	1QFY26
Operating Revenue	306.8	322.4	569.1	595.9	141.7
Net (Provisioning) / Reversal	-2.5	0.0	-0.2	-0.5	0.3
Operating Expenses	277.7	295.9	509.5	544.6	129.5
Profit (Loss) Before Tax	15.1	11.8	40.7	32.0	8.8
Profit (Loss) After Tax	10.0	6.5	28.5	23.9	6.2
RATIO ANALYSIS	FY22	FY23	FY24	FY25	1QFY26
Gross Infection (%)	1.2%	1.6%	2.1%	0.4%	0.2%
Efficiency (%)	90.5%	91.8%	89.5%	91.4%	91.4%
ROAA (%)	2.2%	1.4%	6.2%	4.9%	4.8%*
ROAE (%)	4.7%	3.0%	12.1%	9.1%	9.0%*
Debt Leverage (x)	1.17	1.03	0.90	0.86	0.87
Current Ratio (x)	3.67	4.69	4.35	4.66	4.38
Leverage (COMS/Net Worth)	0.83	0.76	0.67	0.63	0.63

*Annualized

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	First Paramount Modaraba					
Sector	Modaraba					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action	
	RATING TYPE: ENTITY					
	03/11/2026	BBB	A3	Stable	Reaffirmed	
	01/16/2025	BBB	A3	Stable	Reaffirmed	
	12/13/2023	BBB	A3	Stable	Reaffirmed	
	12/21/2022	BBB	A3	Stable	Maintained	
	12/31/2021	BBB	A3	Rating Watch - Developing	Maintained	
	12/30/2020	BBB	A3	Stable	Reaffirmed	
	12/27/2019	BBB	A3	Stable	Reaffirmed	
	12/28/2018	BBB	A3	Stable	Reaffirmed	
	12/29/2017	BBB	A3	Stable	Reaffirmed	
	12/30/2016	BBB	A3	Stable	Maintained	
	12/29/2015	BBB	A3	Positive	Reaffirmed	
	12/26/2014	BBB	A3	Positive	Maintained	
1/28/2013	BBB	A3	Stable	Reaffirmed		
8/8/2011	BBB	A3	Stable	Upgrade		
Instrument Structure	N/A					
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.					
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.					
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Due Diligence Meetings Conducted	Name	Designation			Date	
	Mr. Syed Wajih Hasan	CEO			12 th Feb 2026	
	Mr. Syed Mudassir Ali	CFO				