

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	Upgrade		Reaffirmed	
RATING DATE	June 30, 2026		March 11, 2026	

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-2025/NBFC-Nov-2025.pdf>

Rating Scale

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

Rating Rationale

The upgrade in the ratings reflects the significant strengthening of First Paramount Modaraba ('FPM' or the 'Modaraba') capitalization profile following the acquisition of a controlling stake in the AML/CFT Screening Solution business. The transaction represents a meaningful diversification and supports progress toward compliance with regulatory capital requirements. The Board's approval of a rights issue further demonstrates management's commitment to reinforcing capitalization and sustaining future growth.

The ratings also incorporate the Modaraba's sound asset quality indicators, characterized by a very low level of non-performing financings and prudent credit risk management practices. The financing portfolio has expanded without a corresponding deterioration in asset quality, reflecting disciplined underwriting standards and effective risk oversight. In addition, liquidity remains adequate, supported by a comfortable level of current assets relative to short-term obligations.

The Modaraba continues to benefit from a diversified business model through its financing activities and operational ventures, providing multiple revenue streams and supporting business resilience. Governance and oversight frameworks remain satisfactory, with independent board representation, separate leadership roles, and an unqualified external audit opinion.

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 & HRCC met once.

SHARIA 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 stipulated under the Modaraba Regulations, 2021. The Modaraba has been granted a one-year extension, effective August 15, 2025, to comply with these requirements.

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

FPM has acquired a 60% ownership stake in the FPM AML/CFT Screening Solution business, both within and outside Pakistan. The business has been independently valued at PKR 324m by an independent valuer. Consequently, the equity of the Modaraba has increased from PKR 284.5m to PKR 463.0m. The structure of the transaction and its accounting treatment have been reviewed and certified by the External Auditors and the Shariah Advisor of the Modaraba.

Furthermore, the Board of Directors of the modaraba has approved the issuance of Right Certificates to the existing certificate holders of the Modaraba, subject to compliance with all applicable legal and regulatory requirements. The proposed Right Issue comprises 6,894,210 ordinary Modaraba Certificates to be offered at an issue price of PKR 10 per certificate (at par value), aggregating PKR 68.9m. The Right Issue will be offered in the ratio of one (1) Right Certificate for every two (2) ordinary certificates held, representing approximately 50% of the existing paid-up certificate capital of the Modaraba.

PROFITABILITY

During 9MFY26, profitability weakened compared to the corresponding period last year, primarily due to a decline in trading income and higher operating expenses. Total income decreased by 10.3% YoY to PKR 61.4m (9MFY25: PKR 68.5m), mainly attributable to a 14.0% YoY reduction in income from trading operations, which fell to PKR 48.3m, partially offset by a 19.5% YoY increase in Murabaha financing income to PKR 13.1m.

Administrative and operating expenses increased by 11.5% YoY to PKR 35.9m (9MFY25: PKR 32.2m), reflecting inflationary pressures and higher business operating costs. Consequently, the efficiency ratio deteriorated to 58.4% (FY25: 47.0%). The Modaraba recorded a reversal of doubtful recoveries of PKR 0.9m compared to a provision charge of PKR 1.7m in the previous year, providing some support to earnings. However, other income declined significantly by 43.5% YoY to PKR 3.5m.

Despite a 21.6% YoY reduction in financial charges to PKR 13.0m, the decline in operating income more than offset the benefit from lower funding costs. After accounting for taxation, profit after tax stood at PKR 10.6m, down 30.2% YoY from PKR 15.2m in the corresponding period.

Going forward, the sustainability of profitability will remain dependent on the Modaraba's ability to enhance core revenue generation, improve operating efficiency, and maintain prudent funding costs.

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 0.3% (FY25: 0.5%), owing to increase in financing portfolio, which expanded to PKR 86.3m (Jun'25: PKR 47.2m) as of Mar'26, with no increase in non-performing loans. Non-performing loans were reported at PKR 0.26m (Jun'25: PKR 2.1m) as of Mar'26.

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 4.41x (Jun'25: 4.66x; Jun'24: 4.35x) as at Mar'26. Trade debtors was at PKR 208.9mm (Jun'24: PKR 262.7m; Jun'23: PKR 175.3m) as of Mar'26. Additionally stores in trade also increased to PKR 29.0m (Jun'25: PKR 12.5m). Both were primarily attributed to an increase in trade activities under FPM Petro Services.

FPM mobilizes funds through the issuance of Certificates of Musharaka (COMs), which amounted to PKR 177.1m at the end of Mar'26. Changes in the 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, 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. Although, FPM remains compliant with the Capital Adequacy Ratio (CAR) 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 284.5m as of Mar'26.

To address this shortfall, FPM has been granted an extension for compliance with the minimum equity and credit rating requirements by one year, effective from August 15, 2025. Upon successful completion of the acquisition and right issue, the Modaraba's equity base is projected to increase to approximately PKR 531.9m. This would enable the Modaraba to exceed the minimum equity requirement prescribed under the Modaraba Regulations, 2021, with a buffer of approximately PKR 31.9m, while the Modaraba is expected to continue maintaining compliance with the applicable CAR requirements.

FINANCIAL SUMMARY (In millions)					
BALANCE SHEET	Jun'22	Jun'23	Jun'24	Jun'25	Mar'26
Total Financing	201.0	146.9	101.4	65.9	100.3
Murabaha Financing	155.6	115.4	75.5	52.0	86.3
Diminishing Musharaka Financing	3.5	0.7	0.0	0.0	0.0
Musharaka Financing	40.0	28.9	25.9	13.9	13.9
Modaraba Financing	1.9	1.8	0.0	0.0	0.0
Trade debtors	67.7	91.4	175.3	262.7	208.9
Cash and Cash Balances	79.0	46.4	47.1	18.2	18.5
Total Assets	466.5	449.7	474.9	509.3	539.8
COMs (certificate of Musharaka)	177.5	167.5	168.4	173.4	177.1
Total Liabilities	251.6	228.2	224.9	235.4	255.3
Paid up capital	137.9	137.9	137.9	137.9	137.9
Net Worth	214.9	221.5	250.0	273.9	284.5
INCOME STATEMENT	FY22	FY23	FY24	FY25	1QFY26
Operating Revenue	306.8	322.4	569.1	595.9	NA
Net (Provisioning) / Reversal	-2.5	0.0	-0.2	-0.5	NA
Operating Expenses	277.7	295.9	509.5	544.6	NA
Profit (Loss) Before Tax	15.1	11.8	40.7	32.0	NA
Profit (Loss) After Tax	10.0	6.5	28.5	23.9	NA
RATIO ANALYSIS	FY22	FY23	FY24	FY25	1QFY26
Gross Infection (%)	1.2%	1.6%	2.1%	0.4%	0.3%
Efficiency (%)	90.5%	91.8%	89.5%	91.4%	58.4%
ROAA (%)	2.2%	1.4%	6.2%	4.9%	NA
ROAE (%)	4.7%	3.0%	12.1%	9.1%	NA
Debt Leverage (x)	1.17	1.03	0.90	0.86	0.90
Current Ratio (x)	3.67	4.69	4.35	4.66	4.41
Leverage (COMS/Net Worth)	0.83	0.76	0.67	0.63	0.62

*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				
	06/30/2026	BBB+	A3	Stable	Upgraded
	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 Mudassir Ali	CFO		June 01, 2026	