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	A-	A2	BBB+	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Upgrade	
RATING DATE	November 26, 2026		June 30, 2026	

Shareholding (5% or More)	Other Information
General Public (Local) – 57.4%	Incorporated in 1994
Associated Companies – 14.3%	Public Listed Modaraba
Shareholding 5% or more – 11.4%	Chairperson: Mr. Tanveer Ahmed Magoon
General Public (Foreign) – 6.8%	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 ratings reflects the compliance with the minimum equity requirement, while the successful completion of the post-year-end rights issue has further reinforced its capital position. The Modaraba's financial risk profile has improved, supported by a strengthened equity base, reduced leverage, comfortable liquidity, and an expansion in the financing portfolio. Asset quality also remains manageable, with no reported non-performing Murabaha financing. The successful completion of the rights issue has further strengthened the capital base and supports the Modaraba's progress towards regulatory compliance.

However, the overall business and financial risk profiles remain constrained by pressure on core operating profitability, elevated administrative expenses, and reliance on a non-recurring gain arising from the business combination to report higher earnings. Additionally, subdued performance in the trading segment, funding constraints, and the doubtful Musharaka exposure remain key areas of concern.

Going forward, the sustainability of earnings will depend on a recovery in trading operations, the scaling up of the AML business, effective cost management, and continued strengthening of the capital position.

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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 continues as Shariah Advisor, and Mufti Muhammad Najeeb Khan as Shariah Consultant. The Advisor's annual review covered the year ended Jun'26 under the Shariah Governance Regulations, 2023. It drew on the Shariah Compliance Officer's report and the internal Shariah audit, and reviewed financing, investment and business documents and procedures. He concluded that the Modaraba's systems, pool management mechanism, transactions and documentation conform to Shariah principles, and that no non-Shariah-compliant income or penalty requiring charity was received. An external Shariah audit by Crowe Hussain Chaudhury & Co. found the financial arrangements, contracts and transactions compliant in all material respects.

AUDITOR OPINION:

Crowe Hussain Chaudhury & Co., Chartered Accountants, continued as statutory auditor during FY26. The Board has approved its re-appointment for FY27, subject to the Registrar Modaraba's approval. The auditor has a satisfactory ICAP Quality Control Review rating and is categorized as 'A' on SBP's Panel of Auditors. The audit report is unqualified, with an Emphasis of Matter. The Modaraba does not meet the credit rating and minimum equity requirements under the Modaraba Regulations, 2021, and the extended compliance period lapsed on August 14, 2025. A further extension to February 15, 2027 has since been obtained, and the rights issue has been completed after year-end.

Business Risk

INDUSTRY UPDATE:

The NBFI sector continued to expand strongly in FY25 and H1FY26, supported by monetary easing, improving investor participation and greater financial-market activity. Total industry assets reached PKR 5.63tr at Jun'25, compared with PKR 3.98tr at Jun'24, representing 42%

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YoY growth (SECP). Mutual funds remained the dominant segment, while lending-focused NBFCs also recorded strong expansion. Shariah-compliant assets increased alongside broader sector growth, reflecting rising demand for Islamic financial products.

Momentum continued in H1FY26, with total NBFI assets increasing to PKR 6.84tr at Dec'25 from PKR 5.63tr at Jun'25, representing 21% growth over six months (SECP). Mutual fund assets rose to PKR 4.54tr, accounting for 66.3% of total industry assets, while the number of mutual fund investor accounts increased to 845,000, up 8% from Jun'25. Lending NBFC assets recorded particularly strong growth of 65%, reaching PKR 824bn at Dec'25. Shariah-compliant assets stood at PKR 2.47tr, equivalent to 36% of total NBFI assets.

Within this expansion, the Modaraba segment remains small and has grown far more slowly than the broader industry. Based on SECP data, 20 modarabas were operating at Dec'24, and their total assets rose marginally from PKR ~56.1bn at Dec'23 to PKR ~56.8bn, a share of only ~0.9% of total NBFC assets. The SBP's Financial Stability Review 2024 similarly noted asset growth of just 1.2% in CY24, following a 14.1% contraction in CY23. However, the advances portfolio of modarabas grew by about 46% to PKR 12bn in CY24 from PKR 8bn in CY23, in a declining interest rate environment, suggesting that lower rates are beginning to support financing activity. As per SECP data, the NBFC sector comprised 69 fund management entities and 116 lending entities (including modarabas) at Dec'25.

On the regulatory side, reforms are under way to strengthen the sector. The SECP Policy Board approved amendments to the Modaraba Ordinance, 1980, including the introduction of unlisted modarabas, to be submitted to the Finance Division for legislative action. At the launch of the NBFI & Modaraba Association Year Book 2025, the SECP Commissioner noted that Islamic finance through modarabas showed growth in 2025 but that its full potential remains unrealized, and he reaffirmed SECP's commitment to a major overhaul of the Modaraba legal framework, advocacy for tax neutrality and expanded liquidity solutions. The Association has also stressed the need for concessional financing access and tax rationalization to strengthen the sector.

The easing monetary environment supported credit activity across the broader financial system. The SBP policy rate declined from 20.5% at Jun'24 to 11.0% at Jun'25, before being adjusted to 11.5% in Apr'26, where it remained unchanged through the September 2026 monetary policy decision. This represents a 900bps reduction from Jun'24 to the current 11.5% rate. Private-sector credit grew by around 13% during FY26, compared with 12.2% in FY25, with growth broad-based across working capital, fixed investment and consumer financing.

Looking ahead, modarabas growth will depend on their ability to scale, diversify funding sources and focus on defined niches such as mobility and green financing. However, inflationary pressures, fiscal constraints, subdued private investment and external-sector risks remain key considerations for the sector.

OPERATIONAL UPDATE

Effective April 1, 2026, FPM acquired a 60% controlling interest in the FPM AML/CFT Solution business through a Musharaka arrangement, with the remaining 40% held by the Musharaka partner. FPM was previously the Modarib. The deal is accounted for as a business combination under IFRS 3 on a provisional basis.

FPM Petro Services' sales declined on lower demand for indigenous materials from oil service companies, though the Board expects conditions to improve over the next six to nine months.

The Board's rights issue was completed after year-end: 6,894,210 certificates at PKR 10 (par), in the ratio of one for every two held, raised PKR 68.9m. The issue was fully underwritten, and the certificates were allotted and credited on September 23 and October 8, 2026. Paid-up capital rose to PKR 206.8m.

PROFITABILITY

In FY26, total income declined 16.2% YoY to PKR 81.5m (FY25: PKR 97.3m). Net income from trading operations (FPM Petro) fell 31.8% to PKR 55.8m (FY25: PKR 81.8m). This was partly offset by a 23.2% increase in murabaha income to PKR 16.3m (FY25: PKR 13.2m) and AML income stream of PKR 9.4m. Administrative and operating expenses rose 42.2% to PKR 65.4m (FY25: PKR 46.0m). Contributing factors were higher salaries (up 15.6%), higher fees and subscriptions (up 86.0%), and PKR 5.5m of amortization on the acquired intangibles. The efficiency ratio deteriorated to 96.4% (FY25: 91.4%), and operating profit fell to PKR 17.3m (FY25: PKR 50.8m). Profit before levy and tax rose to PKR 162.8m (FY25: PKR 32.0m), and profit after tax to PKR 156.6m (FY25: PKR 32.0m), but this is entirely due to the PKR 194.4m gain on business combination. Without the gain, profit before management fee and tax would have been a loss of about PKR 9.8m. Going forward, sustainability of earnings depends on a recovery in trading income, scaling of the AML business and control of operating costs.

Financial Risk

ASSET QUALITY

The financing portfolio expanded 31.3% to PKR 86.6m (Jun'25: PKR 65.9m), driven by murabaha (Jun'24: PKR 72.6m; Jun'25: PKR 52.0m). Non-performing murabaha financing was nil (Jun'25: PKR 0.26m), with no provision held. The Musharaka exposure of PKR 13.9m remains considered doubtful. No provision is held because of a mortgage with an FSV of PKR 64m, and a recovery suit was filed in 2026 and ongoing.

LIQUIDITY

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The current ratio was 3.85x (Jun'25: 4.66x). Cash and bank balances rose to PKR 61.2m (Jun'25: PKR 18.2m). Trade debtors fell to PKR 125.0m (Jun'25: PKR 262.7m), in line with lower FPM Petro activity, while stock in trade rose to PKR 30.1m (Jun'25: PKR 12.5m). Trade debtors over 180 days rose to PKR 11.3m (Jun'25: PKR 2.3m), and the expected credit loss allowance was reversed to nil.

Certificates of Musharaka (COMs) stood at PKR 171.2m (Jun'25: PKR 173.4m), of which PKR 39.6m matures within one year. COM issuance remains capped at existing levels until the capital and rating requirements are met, which constrains funding growth.

CAPITALIZATION

The Modaraba Regulations, 2021 (as amended in August 2022) require deposit-taking modarabas to hold minimum equity of PKR 500m and a long-term rating of at least 'A-'. FPM's extended compliance period lapsed on August 14, 2025. SECP granted a further extension to February 15, 2027, conditional on completing the rights issue and meeting the equity requirement and credit rating.

As of Jun'26, total equity rose to PKR 560.1m at Jun'26 (Jun'25: PKR 273.9m), mainly because of the business combination gain and the Musharaka partner's interest of PKR 127.2m. Capital adequacy ratio was 26% which is over the 10% requirement. Leverage (COMs/net worth) improved to 0.31x (FY25: 0.63x).

Subsequently, in Oct'26, FPM successfully completed its rights issue, receiving full subscription proceeds of PKR 68.9m, against the issuance of 6,894,210 right certificates at a face value of PKR 10 each. All right certificates were duly allotted increasing FPM's total paid-up capital increased to PKR 206.8m (Jun'26: PKR 137.9m).

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FINANCIAL SUMMARY					*(In millions)*
BALANCE SHEET	**Jun'22**	**Jun'23**	**Jun'24**	**Jun'25**	**Jun'26**
Property, Equipment and Intangible Asset	12.3	12.4	13.3	23.4	341.6
Total Financing	201.0	146.9	101.4	65.9	86.6
Murabaha Financing	155.6	115.4	75.5	52.0	72.6
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	125.0
Cash and Cash Balances	79.0	46.4	47.1	18.2	61.2
Total Assets	**466.5**	**449.7**	**474.9**	**509.3**	**805.8**
COMs (certificate of Musharaka)	177.5	167.5	168.4	173.4	171.2
Total Liabilities	251.6	228.2	224.9	235.4	245.6
Paid up capital	137.9	137.9	137.9	137.9	137.9
Net Worth	214.9	221.5	250.0	273.9	560.1
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Operating Revenue	306.8	322.4	569.1	595.9	443.7
Net (Provisioning) / Reversal	-2.5	0.0	-0.2	-0.5	1.2
Operating Expenses	277.7	295.9	509.5	544.6	427.6
Profit (Loss) Before Tax	15.1	11.8	40.7	32.0	162.8
Profit (Loss) After Tax	10.0	6.5	28.5	23.9	156.6
RATIO ANALYSIS	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Gross Infection (%)	1.2%	1.6%	2.1%	0.4%	0.0%
Efficiency (%)	90.5%	91.8%	89.5%	91.4%	96.4%
ROAA (%)	2.2%	1.4%	6.2%	4.9%	23.8%
ROAE (%)	4.7%	3.0%	12.1%	9.1%	37.6%
Debt Leverage (x)	1.17	1.03	0.90	0.86	0.44
Current Ratio (x)	3.67	4.69	4.35	4.66	3.85
Leverage (COMS/Net Worth)	0.83	0.76	0.67	0.63	0.31

**Annualized*

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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				
11/26/2026	**A-**	**A2**	**Stable**	**Upgraded**
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
12/31/2015	BBB	A3	Positive	Reaffirmed
12/26/2014	BBB	A3	Positive	Maintained
12/31/2012	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	November 23, 2026

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