RATING REPORT

Rural Community Development Programmes

REPORT DATE:
May 06, 2022

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity Rating	BBB	A-3	BBB	A-3
Rating Date	*April 30, '22*		*April 29, '21*	
Rating Outlook	*Stable*		*Rating Watch-Developing*	
Rating Action	*Maintain*		*Maintain*	

COMPANY INFORMATION

Incorporated in 2016	**External auditors:** Grant Thornton Anjum Rahman
Company limited by guarantee	**Chairman:** Ms. Ayesha Gulzar
	Chief Executive Officer: Mr. Muhammad Murtaza

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Non-Bank Financial Companies (March 2020)
https://www.vis.com.pk/kc-meth.aspx

Rural Community Development Programmes

OVERVIEW OF INSTITUTION

RCDP was set up on November 3rd, 2015 as a non-profit organization under section 42 of the Companies Ordinance 1984. The principal activity of the company is to provide cost effective microfinance services to needy persons to enhance their economic role. Presently the company has been operating through 108 branches.

RATING RATIONALE

The ratings assigned to Rural Community Development Programmes (RCDP) take into account implicit support available from the parent organization, Rural Community Development society (RCDS) both on financial and technical fronts. Despite support from other income which mainly includes present value adjustment on unwinding of microcredit revolving loan and net exchange gain and profit on investments, net profit decreased on account of contraction in spreads, higher provisioning charge and write-offs during FY21. Meanwhile, net profit declined further in HY22 amidst considerable increase in write-offs and operating expenses. The infection ratios depicted some improvement with lower NPLs along with growth in portfolio during HY22. Meanwhile, the liquidity indicators have remained adequate as RCDP has maintained considerable liquid assets in relation to outstanding debt obligations on a timeline basis. The capital adequacy ratio has also remained sizeable, reflecting sufficient room for growth.

The institution has envisaged network expansion by adding a certain number of branches in each of the next five years. While enhancing existing loan facilities, the management also plans to tap capital markets in order to finance its expansion plans. Bottomline is expected to remain depressed during the ongoing year primarily due to higher operating expenses. As per management, the expected growth in loan book along with rationalization of operating expenses is likely to result in building a sustainable income stream for the institution, going forward. Meanwhile, ratings will remain dependent on improvement in asset quality indicators, managing spreads, liquidity and capitalization indicators while achieving projected growth in disbursements, going forward.

Rating Drivers:

Growth in microcredit portfolio: The gross portfolio increased to Rs. 4.8b (FY20: Rs. 4.6b) with loan disbursements amounting to Rs. 6.9b (FY20: Rs. 6.3b) against the target of Rs. 9b during FY21. The slower portfolio growth relative to budgeted, was due to the reason that the RCDP had to follow more of a consolidation strategy during the outgoing year to curtail worsening microcredit portfolio health. However, in the ongoing year, the lending activities picked up pace; the company made disbursements of Rs. 4.5b in 1HY22. Gross loan portfolio augmented to Rs. 5.5b by end-1HFY22. The management contemplates to disburse around Rs. 10b of loans in the ongoing year while Rs. 8b mark have already been achieved by end-March'22. Gross loan portfolio is expected to reach Rs. 6.8b by end-FY22. Nevertheless, the growth in portfolio always remains contingent upon availability of funding from financial institution on a timely basis. The new funding arrangements by RCDP for portfolio expansion are discussed later in this report.

RCDP primarily follows individual lending strategy in around 95% of its loan products whereas group lending is followed only in microfinance plus projects, where it is deemed a requisite. Credit and Enterprise Development (CED) and Business Enhancement Loan (BEL) continue to remain the flagship products of the institution with a higher contribution of 74% (FY20: 70%; FY20: 63%) in the total performing portfolio in 1HY22. Meanwhile, other products growth has remained largely muted. The product mix of the company along with respective contribution in net loan portfolio is tabulated below:

Microfinance Loan Portfolio (in million Rs.)	FY20		FY21		HY22	
Credit & Enterprise Development (CED)	1,533	35%	1,805	40%	1,909	37%
Business enhancement Loan (BEL)	1,227	28%	1,358	30%	1,910	37%
Enterprise Development Facility (EDF)	446	10%	408	9%	455	9%
Livestock Financing Program (LFP)	816	19%	668	15%	651	13%
Small & Medium enterprise (SME)	287	7%	163	4%	108	2%
Prime Minister Interest Free Loan Program (PMIFL)	84	2%	113	2%	158	3%

Renewable Energy	0	0%	0	0%	0	0%
Total	**4,393**	**100%**	**4,515**	**100%**	**5,190**	**100%**

RCDP follows a very meticulous approach when it comes to product success. Each new client is taken onboard with the company's flagship product, CED, which is for very small enterprises. As the management develops a credit profile and relationship with that client, the financing limit is enhanced for repeat loans along with add-ons features. This way the client is eventually graduated to higher ticket loans (MSME loans) during term of their exposure and loan repayment cycle. Accordingly, the management foresees increase in average loan size amidst higher disbursements, going forward. The number of borrowers has steadily increased to 154,551 (FY21: 150,321; FY20: 141,925) while average loan size stood higher at Rs. 35,781 (FY21: Rs. 30,893; FY20: Rs. 32,575) in HY22. The following table depicts the breakup of size-wise composition of loans at end-HY22:

S. No.	Description	No. of Clients
1	Upto Rs. 25,000	1,684
2	Rs. 25,001 - Rs. 50,000	65,788
3	Rs. 50,001-Rs. 75,000	31,721
4	Rs. 75,001-Rs. 100,000	41,922
6	Rs. 100,000 and above	13,436
7	Total	154,551

During FY21, there were some changes in loan approval system which entails additional involvement of risk tier to further insulate the existing process by removing any lags or shortfalls. The loan approval process is initiated by the credit officer who visits prospective customers to collect their information and then attaches all the required documents such as CNIC copy, photograph, etc. on the e-appraisal application. E-appraisal application is available on android operating system and can be installed in any android compatible phone or tablet. Additionally, a biometric device is used to collect thumbprint of client and a mobile data sim to ensure internet connectivity. Post completion of this stage, the file is sent to risk officer, who conducts a thorough analysis as an independent unit. The risk officer determines that all the policies have been complied and formalities have been completed. Following the appraisal by risk officer, the final approval is held with the Head of Operations located at the head office who reviews all applications and then the application is processed further to banking channels for disbursement.

Productivity analysis and branch network: Total number of LOs employed by the bank stood higher at 674 (FY21: 646; FY20: 627) while number of branches have increased to 108 (FY21 & FY20: 92) by end-HY22; this includes ten Prime Minister Interest Free Loan (PMIFL) branches. Loan officers' attrition rate has remained manageable at 8%. By end-HY22, LOs per branch decreased to 6 (FY21 & FY20: 7) along with decrease in number of active clients per LO to 229 (FY21: 233; FY20: 226). Meanwhile, average portfolio amount per LO increased to Rs. 8.2m (FY21: Rs. 7.5m; FY20: Rs. 7.4m) on account of increase in average loan size.

LO's Productivity	FY20	FY21	HY22
No. of LOs	627	646	674
No. of Branches	92	92	108
Los/Branch	7	7	6
No. of active loans	141,945	150,321	154,551
Average loan size (Rs.)	32,575	30,893	35,781
Active Clients/ LO	226	233	229
Loan Amount/ LO (Rs. m)	7.4	7.5	8.2

In the outgoing year, the company developed an expansion plan for five years to increase its outreach and financial inclusion under SBP's initiatives. For this purpose, RCDP has opened four new areas, each comprising five branches, in the ongoing year. The management intends to add thirty branches in each of the next four years while ten more branches will be opened in FY22.

Deterioration in asset quality indictors given aftermath of the relief provided by SBP during pandemic: The regulatory relief provided during pandemic, shrouded the worsening portfolio quality at that time. Accordingly, loans were classified after markup servicing or loan repayments were not made on due date. In FY21, the company rescheduled loans amounting Rs. 659.2m under the regulatory relief to dampen the impact of pandemic in FY21. The rescheduled portfolio has subsequently decreased to Rs. 309.6m by end-1HFY22 on account of write-offs and recoveries made against classified loans. By end-FY21, non-performing loans (NPLs) surged to Rs. 546.7m (FY20: Rs. 55.4m), out of which NPLs related to rescheduled portfolio amounted to Rs. 538.9m (FY20: Nil) which have subsequently decreased to Rs. 308.6m by end-HY22. The specific provisioning was recorded considerably higher at Rs. 284.1m (FY20: Rs. 67.5m; FY20: 10.5m) in line with time-based criteria for delinquent portfolio. Resultantly, with growth in microcredit loans and higher provisioning charge, gross and net infection decreased notably to 5.9% (FY21:11.3%; FY20: 1.2%) and 0.8% (FY21: 10.1%; FY20: 1.0%), respectively by end-HY22. The company has also written off loans amounting Rs. 197.0m (FY21: Rs. 82.8m; FY20: Rs. 58.2m) in HY22. Resultantly, incremental infection turned negative at 0.4% from 12.7% in FY21 (FY20: 1.4%). The provisioning coverage has increased notably to 86.7% (FY21: 12.4%; FY20: 18.9%). A snapshot of asset quality indicators is presented below:

Portfolio quality Indicators	FY20	FY21	HY22
NPLs % Total Advances (gross):	1.2%	11.3%	5.9%
Net NPLs % of Net Advances: Net Infection	1.0%	10.1%	0.8%
Incremental Infection	1.4%	12.7%	-0.4%
Provisioning Coverage	18.9%	12.4%	86.7%

Investment avenues of the institution are restricted to term deposit receipts (TDRs) with a bank having a sound credit rating. Hence, overall credit risk originating from investment portfolio is considered limited.

In the backdrop of countering credit risk amidst economic stress and aggravated debt burdening of micro-credit borrowers owing to multiple borrowings, the management has remained highly active in recovery activities at multiple levels. RCDP has one on one recovery strategy; the repayment plan is customized for every borrower depending on specific requirements, the institution is also allowing waivers and discounts to expedite repayment. Specialized recovery teams have been formed and seasoned resources are deployed from the head office (HO) to assist the recovery teams in devising consumer friendly repayment plans. To facilitate the recovery drive, RCDP has doorstep collection policy in place along with availability of alternate delivery channels (ADC) including UBL Omni, Easy Paisa and HBL Konnect. Due to these efforts, the company has screened out each client up till now. As per management, currently both regular and rescheduled portfolio are performing up to the mark in terms of recovery; recovery rate from both portfolios is around 99%. In HY22, the company has made recoveries amounting Rs. 3.6b (FY21: Rs. 6.6b; FY20: Rs. 6.7b). Given the company is under the process of expansion in operations, the management intends to recover maximum amount from classified portfolio in the ongoing year and focus on growth, going forward.

Adequate liquidity profile: RCDP has maintained adequate liquidity position on a timeline basis as reflected by sizeable liquid assets held in relation to outstanding obligations (HY22: 41.7%; FY21: 46.1%; FY20: 41.5%). A major chunk of the funds amounting Rs. 2.0b (FY21: Rs. 1.9b; FY20: Rs. 830.2m) has been parked in current and deposit accounts in various banks. Short-term investments worth Rs. 237.5m (FY21: Rs. 222.5m; FY20: Rs. 1.1b) constituted TDRs of different maturities, carrying markup ranging from 6.1% to 13.15%. These short-term investments have been held as collateral with lending institutions. As per management, excess liquidity has been maintained as cushion amidst higher write-offs and conserving CAR.

Capital adequacy ratio represents sizeable room for growth: RCDP is a micro-finance institution with no access to consumer deposits, therefore, borrowings continue to remain the primary source of funding. Total borrowings of the institution were recorded higher at Rs. 5.3b (FY21: Rs. 4.7b; FY20: Rs. 4.8b) in line with growth in gross loan portfolio. The largest proportion of borrowings was acquired from Pakistan Microfinance Investment Company (PMIC), followed by term finance facilities from SIMA and microcredit revolving loan from Pakistan Poverty Alleviation Fund (PPAF). The company availed deferment facility for principal repayment of PMIC loans w.e.f. March'20 which has been fully repaid during the outgoing year. During FY21, a new agreement has been signed with PPAF for extending interest free loans to marginalized community amounting to Rs. 388.8m. Such funds have been disbursed under EHSAS programme for a period of four years. The facility is payable after four years in lumpsum with an option of further renewal. In addition, demand finance facility to the tune of Rs. 100m was obtained from Habib bank Limited during HY22. The company has foreign denominated unsecured term finance loan from SIMA. During 2019, an agreement was signed with SIMA for an amount of USD 5m at the rate of Libor 6 months *Plus* 6.5% subject to minimum of 7.5% and maximum of 8%; markup is payable on quarterly basis. The loan was repayable in lumpsum at the end of loan period, i.e. October 6, 2021. However, the company got this facility rescheduled and received an extension in payment dates. Now the company is required to repay loan in two tranches i.e. USD 2.5m in June 2022 and remaining USD 2.5m in October 2022. Meanwhile, the company is making efforts to retain SIMA through roll over of the existing facility or by entering into a fresh financing agreement. The company has forward contracts in place to mitigate the exchange risk on foreign currency loans. Short-term borrowings stood at Rs. 837.1m (FY21: Rs. 840.3m; FY20: Rs. 846.6m). At present, RCDP has access to aggregate financing facilities of Rs. 6.6b from various financial institutions. The breakdown of borrowings is presented in the table below:

Rs. in millions	**FY20**	**FY21**	**HY22**
Loan from Pakistan Microfinance Investment Co. Ltd. (PMIC)	2,790.0	2,549.5	3,100.0
Demand Finance (HBL)	-	-	100.0
Demand Finance (UBL)	53.3	20.9	14.9
SIMA (Term Finance)	840.3	800.7	800.7
Rural Community Development Society-Related Party	28.4	0.0	0.0
Demand Finance (BOP)	131.3	56.3	18.8
PPAF (Microcredit Revolving Loan)	87.5	396.0	396.0
Total Long-Term Borrowings including Current Portion	**3,930.6**	**3,823.3**	**4,430.3**
Running Finance Facility from HBL	96.6	91.0	87.8
Running Finance Facility from UBL	250.0	250.0	250.0
Demand Finance (NBP)	500.0	499.2	499.2
Total Short-Term Borrowings	**846.6**	**840.3**	**837.1**
Total Borrowings	**4,777.2**	**4,663.5**	**5,267.4**

Given that RCDP is incorporated as a 'Limited by Guarantee Company', there is no share capital present. However, adjusting for internal capital generation, total equity of the institution amounted to Rs. 2.42b (FY21: Rs. 2.36b; FY20: Rs. 2.0b) at end-HY22. Over the years, equity of the company has increased primarily on the back of profit retention. With decrease in NPLs and higher provisioning charge NPLs to Tier-1 equity decreased notably to 1.8% (FY21: 20.3%; FY20: 2.3%). In terms of capital adequacy, RCDP is comfortably placed; capital adequacy ratio (CAR) stood at 39.0% (FY21: 43.7%; FY20: 37.1%), representing sizable room for growth.

Being a non-deposit NBFC, the growth objectives of the institution are always synced with availability of funding opportunities. Therefore, in view of expansion in operations while pursuing aggressive portfolio growth, the institution has been actively pursuing to make new funding arrangements along with enhancement of existing facilities. One of the key changes in the financing mix will be that RCDP is aiming to access to capital markets through issuance of Privately Placed Term Finance Certificates (PPTFCs). The company has partnered with National Bank of Pakistan (NBP) to raise capital to the tune of around Rs. 1b for a tenor of three years. Early steps including term sheet for the facility have already been accomplished. The management is also in process of renewing the credit facility from Bank of Punjab (BOP) and with 2 to 3 times enhanced financing limit. Furthermore, RCDP has made early commitments with PMIC, which will remain major contributor to the capital mix as credit limits are expected to enhance by multifold over the years to support growth.

Stressed profitability during the ongoing year: Markup earned on microcredit portfolio decreased to Rs. 1.4b (FY20: Rs. 1.6b) on account of decline in yield in FY21. Given bank deposits only constitute a meager proportion of total markup bearing assets, income from the same amounted to Rs. 68.2m (FY20: 25.0m). Albeit there was no change in product pricing during the year and net advances portfolio was higher, yield on markup bearing assets declined to 24.5% (FY21: 30.2%; FY20: 29.5%) as the company was not able to collect markup income on the classified loans which were not provided in FY21, given markup yield is calculated on advances net of total provisions. Meanwhile, despite higher average borrowings, markup expensed decreased to 546.9m (FY20: 683.6m) in line with lower average benchmark rates. Resultantly, cost of funds decreased to 11.6% (FY20: 15.7%) while the institution posted lower markup spread of 12.9% (FY20: 14.5%) in FY21. Net provisioning against NPLs was recorded higher at Rs. 82.6m vis-à-vis reversal of Rs. 20.7m in the preceding year. RCDP has written off bad debts amounting Rs. 83.0m (FY20: Rs. 58.3m) in FY21. Documentation charges were recorded higher at Rs. 270.5m (FY20: Rs. 249.8m) in line with higher disbursements while no changes were made in the processing fee. Overall operating expenses were recorded higher at Rs. 863.5m (FY20: Rs. 840.6m). Nevertheless, the operating self-sufficiency (OSS) ratio was adequate at 134.0% (FY20: 149.2%) reflecting considerable cushion to cover operating expenses via core earnings. The other income was recorded higher at Rs. 182.1m (FY20: Rs. 90.1m) mainly on account of increase in present value adjustment on unwinding of microcredit revolving loan, net exchange gain and profit on investments. Despite support from other income, the institution posted lower net profit of Rs. 387.4m (FY20: Rs. 454.0m) in FY21. The company has got itself approved under section 2 (36) of the Income Tax Ordinance, 2001 for getting entitlement of tax credits under section 100C (100% credit of tax liability). Therefore, the company has not made any provision for taxation for the year.

During HY22, markup received from advances portfolio was recorded at Rs. 826.8m (HY21: Rs. 746.1m), depicting increase on annualized basis on account of growth in microcredit portfolio coupled with slight improvement in yield on markup bearing assets to 26.0%. However, cost of funds increased to 13.4% owing to increase in average benchmark rates. Resultantly, markup spread decreased marginally to 12.5% in HY22. Loan processing fee was also recorded higher on annualized basis. While provisioning charge decreased to Rs. 25.6m, bad debts written off increased sizably to Rs. 197.0m in HY22. Other income largely comprised net exchange gain. Operating expenses have increased notably as the company is undergoing expansion and the OSS ratio declined to 105.0%. Resultantly, the bottomline was recorded considerably lower at Rs. 57.8m. Net profit is expected to remain lower largely owing to higher operating expenses. As per management, the expected growth in loan book along with rationalization of operating expenses is likely to result in building a sustainable income stream for the institution, going forward.

Experienced board and management team: RCDP's senior management and board of directors are experienced professionals with considerable experience in the field of microfinance. Presently, the board comprised seven members including three independent directors. The senior management has depicted stability over the years.

Rural Community Development Programme Appendix I

BALANCE SHEET	30-Jun-20	30-Jun-21	31-Dec-21
Cash and Bank Balances with SBP and NBP	-	-	-
Balances with other Banks and/NBFIs/MFBs	830.2	1,927.7	1,961.2
Lending to Financial Institutions	-	-	-
Total Investments	1,152.5	222.5	237.5
Net Advances	4,392.7	4,515.2	5,190.5
Operating Fixed Assets	180.2	172.4	279.0
Other Assets	376.1	304.7	300.9
Total Assets	**6,931.7**	**7,142.5**	**7,969.1**
Total Deposits	-	-	-
Borrowings	4,777.2	4,663.6	5,267.4
Other Liabilities	173.6	116.4	282.3
Tier-1 Equity	1,980.9	2,362.5	2,419.4
Net Worth	1,980.9	2,362.5	2,419.4
Paid-Up Capital	N/A	N/A	N/A
INCOME STATEMENT	**30-Jun-20**	**30-Jun-21**	**31-Dec-21**
Net Mark-up Income	946.0	861.7	494.5
Loan Processing Fee	249.8	270.5	175.2
Net Provisioning / (Reversal)	(20.7)	82.7	25.7
Other Income	136.5	284.3	116.3
Operating Expenses	840.6	863.5	505.5
Profit Before Tax	454.0	387.4	56.7
Profit after tax	454.0	387.4	56.7
RATIO ANALYSIS	**30-Jun-20**	**30-Jun-21**	**31-Dec-21**
Gross Infection (%)	1.2	11.3	5.9
Incremental Infection (%)	1.4	12.7	-0.4
Provisioning Coverage (%)	417.0	57.4	103.6
Provisioning to Total Income (%)	17.6	22.7	44.5
Net Infection (%)	1.0	10.1	0.8
Net NPLs to Tier-1 Capital (%)	2.3	20.3	11.3
Capital Adequacy Ratio (%)	37.1	43.7	39.0
Markup on earning assets (%)	30.2	24.5	26.0
Cost of Funds (%)	15.7	11.6	13.4
Spreads (%)	14.5	12.9	12.5
OSS (%)	149.2	134.0	105.0
ROAA (%)	7.2	5.5	0.8
ROAE (%)	25.6	17.8	2.4
Liquid Assets to deposits & borrowings (%)	42	46	42

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Appendix II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES — Appendix III

Name of Rated Entity	Rural Community Development Programmes
Sector	Microfinance Institution
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	see table below
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	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: Entity				
30/04/2022	BBB	A-3	Stable	Maintained
29/04/2021	BBB	A-3	Rating Watch Developing	Maintained
16/07/2020	BBB	A-3	Rating Watch Negative	Maintained
02/08/2019	BBB	A-3	Stable	Initial

Due Diligence Meetings Conducted

	Name	Designation	Date
1	Mr. Ghulam Haider	Head of Business Affairs & CEO's Secretariat	April 11, 2022
2	Mr. Shamim Haider	Head of Risk	April 11, 2022