RATING REPORT

Rural Community Development Programmes

REPORT DATE:
May 26, 2025

RATING ANALYST:
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RATING DETAILS				
Rating Category	Current Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity Rating	BBB+	A3	BBB+	A3
Rating Date	May 26, 2025		May 02, 2024	
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Upgrade	

COMPANY INFORMATION	
Incorporated in 2015	**Board Chairman:** Ms. Aeyesha Gulzar
Company limited by guarantee	**CEO:** Mr. Muhammad Murtaza
	External Auditors: Ilyas Saeed & Co. Chartered Accountants

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria Methodology – Non-Bank Financial Companies   https://docs.vis.com.pk/Methodologies%202024/NBFCs202003.pdf

APPLICABLE RATING SCALE(S)
VIS Issue/Issuer Rating Scale: https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rural Community Development Programmes

OVERVIEW OF THE INSTITUTION

RCDP was established on November 03, 2015, as a non-profit organization under Section 42 of the Companies Ordinance, 1984. The Institution's primary objective is to offer cost-effective microfinance services to underserved individuals, with the aim of enhancing their participation in economic activities.

Profile of Board Chairman:
Ms. Gulzar is a seasoned management consultant with over 20 years of international experience. She has worked with Fortune 500 companies, multilaterals, and development organizations across the US and Europe. Holding a degree in MIS from the University of Connecticut, she has also studied Strategic Leadership at Yale and Social Entrepreneurship at Oxford. Specializing in enterprise development and microfinance, Ms. Gulzar has expertise in organizational capacity building, process engineering, strategic planning, and executive coaching, with a strong focus on agricultural value chains and business-enabling environments.

Profile of CEO:
Mr. Muhammad Murtaza is a seasoned professional with over 30 years of experience in the development sector. He founded RCDP with the vision of utilizing

RATING RATIONALE

The Rural Community Development Programme ('RCDP' or 'the Institution') has demonstrated a stable credit profile, supported by its strong governance framework, experienced leadership, and consistent financial performance. The Institution's focus on microfinance services for underserved populations, particularly in rural areas, underscores its commitment to financial inclusion and community development.

RCDP's loan portfolio primarily comprises small to medium-ticket loans, with focus on individual lending to mitigate risks associated with group lending. The Institution maintains a disciplined loan approval and collection process, which includes thorough client assessments and regular follow-ups, contributing to stable asset quality. Despite the challenging macroeconomic environment, RCDP has managed to keep non-performing loans at minimal levels. The introduction of new loan products, such as the Female Auto Rickshaw loan, reflects RCDP's innovative approach to addressing the needs of its clientele, particularly women.

Liquidity and funding remain well-managed, with the Institution maintaining adequate liquid assets to cover short-term obligations. RCDP relies heavily on borrowings for funding, but its ability to secure long-term financing from reputable sources, including international lenders, provides stability. The Institution's profitability has shown improvement, driven by higher yields on earning assets and effective cost management. Operational self-sufficiency has also strengthened, indicating RCDP's ability to sustain its operations without external support.

Capitalization is sound, with a strong reserve base and a high capital adequacy ratio, providing ample buffer for future growth. Going forward, the ratings will depend on RCDP's ability to maintain asset quality amid portfolio expansion, effectively manage liquidity and diversify funding sources, and sustain profitability in a potentially volatile economic environment. The successful execution of its growth strategy—including the introduction of new products and the securing of planned funding—will also be critical. Continued strong governance and sound risk management practices will remain essential for maintaining the ratings.

Company Profile

The Rural Community Development Programme ('RCDP' or 'the Institution') is a Non-Profit Institution established in 2015 as a company limited by guarantee with no share capital, dedicated to providing cost-effective microfinance services to underserved populations in Pakistan. RCDP originated as a spin-off from the Rural Community Development Society (RCDS), which was founded in 1995 under the Societies Registration Act, XXI of 1860 to deliver integrated development services across Punjab. In 2016, RCDS restructured its operations to comply with regulatory frameworks, resulting in the formation of RCDP to handle microfinance activities, while RCDS retained social development functions. Headquartered in Lahore, RCDP operates under a license from the Securities and Exchange Commission of Pakistan (SECP) as a Non-Banking Finance Company (NBFC). The Institution runs a wide network of 131 (2023: 131) conventional branches and 31 (2023: 31) Prime Minister Interest Free Loan (PMIFL) branches, *microfinance as a means to alleviate poverty and promote community development. Acknowledging the challenges faced by rural and underserved populations in accessing conventional financial services, he aimed to establish an institution focused not only on lending but also on fostering self-reliance, entrepreneurship, and sustainable growth. His approach emphasizes empowering individuals—particularly women—to actively participate in and contribute to their communities' economic development.*

serving multiple districts throughout Punjab, and also offers training programs for both clients and staff to promote economic resilience and social progress among Pakistan's underserved populations.

Auditor's Report

The FY24 financial statements were audited by Ilyas Saeed & Co. Chartered Accountants, 'Category A' on the State Bank of Pakistan's (SBP) Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the financial statements.

Board of Directors & Governance

Name	Designation
Ms. Aeyesha Gulzar	Chairman/ Non-Executive Director
Mr. Malik Safdar Ali	Non-Executive Director
Mr. Mubarak Ali Sarwar	
Mr. Naeem Shahid	
Ms. Umme Kalsoom	Independent Director
Ms. Arooj Javed	
Mr. Muhammad Asim	
Mr. Muhammad Murtaza	CEO/Executive Director

The Board of Directors (BoD) of RCDP consists of eight members, including four non-executive directors—one of whom serves as Chairman—three independent directors, and the Chief Executive Officer (CEO) as the only executive director.

RCDP's senior management and BoD comprise experienced professionals with substantial expertise in the field of microfinance. To ensure effective governance and oversight, the Board has established three dedicated committees: the Board Audit Committee (BAC), the Board Risk Management Committee (BRMC), and the Board Human Resource & Remuneration Committee (BHRRC). Both the BAC and BHRRC are chaired by independent directors.

Loan Approval & Collection Process

RCDP's loan disbursement and collection process is designed to ensure operational efficiency and risk mitigation through a structured and transparent framework. It begins with the segmentation of each branch into defined areas, with six credit officers (COs) allocated to conduct proactive, door-to-door client outreach. This mobilization facilitates awareness and helps identify potential borrowers. Following this, COs carry out client identification and eligibility assessments through preliminary screening. Loan application forms are completed on-site for client convenience, and all required documents are collected immediately. The completed file is then submitted to the accounts officer for data entry and initial verification within the Smart MIS system. A thorough client appraisal is subsequently conducted by both the branch manager and the risk officer through direct field visits. Further oversight is provided by the area manager, who performs sample-based appraisals and grants final approval for selected cases. Once all validations are completed, the operations team integrates the data for final system approval, and the accounts department initiates X-PIN code issuance, enabling approved clients to collect their disbursement codes at the branch.

Upon client notification, disbursement is coordinated at the branch level, where clients are briefed on loan terms, utilization guidelines, grievance procedures, repayment methods through branchless banking partners, and insurance coverage. Within 15 days of disbursement, loan utilization is monitored to confirm appropriate use of funds. RCDP maintains ongoing engagement with clients through regular follow-ups, supporting timely repayment and building financial discipline. The loan cycle concludes with the renewal process, which is initiated after the second-to-last installment is received, ensuring continuous access to financial services for clients with strong repayment records.

Productivity Analysis

Productivity Indicators	FY23	FY24	1HFY25
No. of Loan Officers	970	903	1,079
No. of Branches	162	162	179
No. of Active Borrowers	204,506	219,479	230,124
LOs/Branch	5	5	6
Active Borrowers/LO	210	243	213
Active Borrowers/Branch	1,262	1,354	1,285
Average Loan Size (PKR)	39,876	43,068	42,758

Amid Pakistan’s uncertain political and macroeconomic environment, RCDP scaled back its expansion strategy in FY24. Consequently, the number of loan officers (LOs) decreased to 903 (FY23: 970), while the branch network remained unchanged. Despite this, the active borrower base expanded, primarily driven by the disbursement of smaller ticket-sized Credit Enterprise Development (CED) loans—RCDP’s flagship product—to new clients. In contrast, medium ticket Business Enhancement Loans (BEL), another core offering, were selectively extended to existing creditworthy clients who had availed the CED product at least twice and sought to scale their businesses through additional investment. As a result, both the Active Borrowers/LO and Active Borrowers/Branch ratios increased during FY24.

In 1HFY25, with emerging signs of macroeconomic stabilization, RCDP reaccelerated its growth trajectory, evidenced by an increase in the number of branches and a concurrent uplift in both LOs and active borrowers. Though the product mix continued to skew toward smaller ticket CED loans, the average loan size tapered marginally to PKR 42,758. While the continued increase in the number of active borrowers’ underscores RCDP’s emphasis on financial inclusion through broader outreach, the decline in the Active Borrowers/LO ratio is indicative of caseload rationalization—calibrating workforce deployment to support the higher engagement and servicing requirements associated with a more granular loan portfolio.

Financial Analysis

Gross Loan Portfolio (GLP)

The Gross Loan Portfolio (GLP) recorded a steady increase, reaching PKR 9.5 bn (Jun'23: PKR 8.2 bn), supported by higher disbursements of PKR 15.4 bn (Jun'23: PKR 13.1 bn), with recoveries amounting to PKR 14.0 bn (Jun'23: PKR 11.7 bn) by end-Jun'24. As of Dec'24, the GLP further rose to PKR 9.8 bn. Going forward, as a non-deposit-taking microfinance institution (MFI), RCDP's growth in GLP will depend on the timely mobilization of funding from financial institutions. An expected improvement in macroeconomic conditions is likely to strengthen borrowers' repayment capacity, supporting the Institution's plans to expand lending activities. Annual disbursements are projected to reach PKR 21.0 bn, with the GLP anticipated to grow to PKR 12.0 bn by end-Jun'25.

Microcredit Portfolio Risk Segregation

Product Mix (PKR mn)	FY23	%	FY24	%	1HFY25	%
Credit & Enterprise Development	3,965	48.6%	4,385	46.4%	5,011	50.9%
Business Enhancement Loan	2,631	32.3%	3,038	32.1%	3,046	31.0%
Enterprise Development Facility	531	6.5%	548	5.8%	482	4.9%
Livestock Financing Program	487	6.0%	315	3.3%	307	3.1%
Small & Medium Enterprises	37	0.5%	26	0.3%	19	0.2%
Gold Loan	-	0.0%	16	0.2%	26	0.3%
Female Auto Rickshaw	-	0.0%	9	0.1%	6	0.1%
Prime Minister Interest Free Loan	503	6.2%	394	4.2%	421	4.3%
FFOSP	-	0.0%	253	2.7%	66	0.7%
Prime Minister Youth Loan	-	0.0%	467	4.9%	455	4.6%
REL	-	0.0%	-	0.0%	-	0.0%
Total	**8,155**	**100%**	**9,452**	**100%**	**9,840**	**100%**

In FY24, Credit Enterprise Development (CED) and Business Enhancement Loan (BEL) products retained their dominant position within the loan portfolio, collectively accounting for 78.5% (FY23: 80.9%) of total outstanding exposures. Disbursements towards these flagship products amounted to PKR 12.7 bn during the year. Reinforcing its commitment to the economic empowerment of women, RCDP introduced the 'Female Auto Rickshaw' loan product—with an average ticket size of PKR 430,000—accompanied by the distribution of 25 rickshaws to women across Punjab in Feb'24. During 1HFY25, the share of CED & BEL loans increased to 81.9%, reflecting the Institution's continued focus on expanding access to small to medium ticket financing segments.

Segments (PKR mn)	FY23	%	FY24	%	1HFY25	%
Trading Business	3,476	42.6%	3,800	40.2%	3,965	40.3%
Agriculture	62	0.8%	300	3.2%	238	2.4%
Education	-	0.0%	3	0.0%	7	0.1%
Handicraft	1,363	16.7%	1,922	20.3%	2,177	22.1%
Livestock	2,293	28.1%	2,396	25.4%	2,661	27.0%
Manufacturing	155	1.9%	204	2.2%	205	2.1%
Others	806	9.9%	827	8.7%	586	6.0%

Total	**8,155**	**100%**	**9,452**	**100%**	**9,840**	**100%**

The increase in advances during the review period was primarily driven by higher lending in the Trading Business, Livestock, and Handicraft segments, which collectively constituted 89.4% (FY24: 85.9%; FY23: 87.4%) of the overall GLP in 1HFY25.

Convt. vs Shariah (PKR mn)	FY23	%	FY24	%	1HFY25	%
Conventional Loans	8,155	100.0%	9,452	100.0%	9,840	100.0%
Shariah Loans	-	-	-	-	-	-
Total	**8,155**	**100%**	**9,452**	**100%**	**9,840**	**100%**

During the review period, all loans disbursed by RCDP remained conventional in nature. However, the Institution intends to diversify its product suite by introducing Islamic financing solutions aimed at supporting business entrepreneurs. Under this initiative, RCDP will facilitate asset-based financing to enable enterprise expansion, with products structured around a Murabaha-based lending framework.

Sec. vs Unsecured (PKR mn)	FY23	%	FY24	%	1HFY25	%
Secured Loans	-	0%	16	0.2%	26	0.3%
Unsecured Loans	8,155	100%	9,437	99.8%	9,813	99.7%
Total	**8,155**	**100%**	**9,452**	**100%**	**9,840**	**100%**

Unsecured loans constitute a significant portion of the Institution's loan portfolio, as RCDP's clientele primarily consists of low-income individuals who often lack the collateral required for secured lending.

EMI vs Bullet (PKR mn)	FY23	%	FY24	%	1HFY25	%
EMI	7,951	97.5%	9,238	97.7%	9,593	97.5%
Bullet	204	2.5%	214	2.3%	246	2.5%
Total	**8,155**	**100%**	**9,452**	**100%**	**9,840**	**100%**

Except for gold-backed product lending, all other offerings by the Institution feature monthly repayment schedules, contributing to a consistently high proportion of EMI-based loans in the portfolio over time.

Group vs Individual (PKR mn)	FY23	%	FY24	%	1HFY25	%
Group Based	-	0%	-	0%	-	0%
Individual	8,155	100%	9,452	100%	9,840	100%
Total	**8,155**	**100%**	**9,452**	**100%**	**9,840**	**100%**

In the domestic microfinance sector, the prevalence of group lending has declined due to concerns over dummy borrowers, which can result in excessive loan disbursements beyond a borrower's cash flow capacity and repayment ability. Hence, RCDP has adopted an individual-based lending model to uphold credit discipline and mitigate such risks.

Size wise composition (No. of clients)	FY24	%	1HFY25	%
Upto PKR 25,000	6	0.0%	5	0.0%
PKR 25,000 - PKR 50,000	75,874	34.6%	79,147	34.4%
PKR 50,001 - PKR 75,000	52,555	23.9%	56,293	24.5%
PKR 75,001 - PKR 100,000	68,649	31.3%	71,329	31.0%
PKR 100,001 - PKR 250,000	21,708	9.9%	22,694	9.9%
PKR 250,001 - PKR 500,000	684	0.3%	651	0.3%
PKR 500,001 and above	3	0.0%	5	0.0%
Total	**219,479**	**100%**	**230,124**	**100%**

During 1HFY25, RCDP's average loan size marginally declined to PKR 42,758 (FY24: PKR 43,068), reflecting a sustained concentration of lending within smaller ticket segments—PKR 25,000–50,000, PKR 50,001–75,000, and PKR 75,001–100,000—which collectively comprised 89.9% of the portfolio (FY24: 89.8%). As per management, new clients are initially onboarded through the flagship CED product, designed to meet the needs of small-scale enterprises. With a demonstrated repayment history and evolving relationship with the Institution, clients may subsequently access enhanced financing limits and additional product features. While the lending framework allows for graduation to higher ticket sizes over the client lifecycle, the current strategic focus remains on expanding outreach through smaller ticket loans to new borrowers—balancing portfolio growth with prudent credit risk management.

Asset Quality

Asset Quality (PKR mn)	FY23	FY24	1HFY25
Gross Advances	8,155.6	9,453.2	9,837.4
Specific Provisioning	6.0	4.3	22.6
General Provisioning	401.8	468.3	469.3
Net Advances	7,747.1	8,979.9	9,345.2
NPLs	13.0	13.5	36.1
NPLs written off	219.1	26.1	0.3
Gross Infection	0.2%	0.1%	0.4%
Net Infection	0.1%	0.1%	0.1%
Incremental Infection	0.3%	0.3%	0.3%
Specific Provisioning Coverage	45.9%	31.9%	62.4%
General Provisioning Coverage	4.9%	5.0%	4.8%

As of Jun'24, Non-Performing Loans (NPLs) stood at PKR 13.5 mn (Jun'23: PKR 13.0 mn), with the gross infection ratio maintaining stability at 0.1% (FY23: 0.2%). The net infection ratio remained unchanged from the prior year. Furthermore, substantially lower quantum of write-offs, recorded at PKR 26.1 mn (FY23: PKR 219.1 mn) in FY24, indicated minimum incremental infection[1]. Specific provisioning coverage declined to 31.9% (FY23: 45.9%), primarily due to a reduced proportion of NPLs classified under the 'Doubtful' and 'Bad' categories, which collectively accounted for 0.08% (FY23: 0.11%) of the GLP. The general provisioning coverage[2] remained broadly stable at 5.0% (FY23: 4.9%) during the period under review, in compliance

[1] *Incremental Infection ratio: (∆NPLs + NPLs Written Off) / (Avg. Net Advances + NPLs Written Off)*

[2] *General Provisioning Coverage: General Provision / (Gross Advances – NPLs)*

with the regulatory minimum of 0.5% applicable to Non-Banking Finance Companies (NBFCs) on the net outstanding microfinance portfolio.

In 1HFY25, the gross infection ratio inched up to 0.4%; nonetheless, the credit risk profile remains contained, supported by the absence of material write-offs and a considerable improvement in the specific provisioning coverage ratio, which rose to 62.4%.

Investment Mix

RCDP's investment portfolio is limited and primarily focused on Term Deposit Receipts (TDRs). As of Dec'24, the total principal invested stood at PKR 528.5 mn (Jun'24: PKR 300.0 mn; Jun'23: PKR 400.0 mn). The portfolio carries minimal credit risk, as the majority of placements are held with banks demonstrating strong financial soundness and favorable credit ratings. Market risk exposure is limited, given the short-term tenor of the instruments. Nonetheless, the Institution remains susceptible to reinvestment risk, whereby a declining interest rate environment may compress yields available upon the maturity of existing instruments.

Liquidity

Liquidity (PKR mn)	Jun'23	Jun'24	Dec'24
Investments	400.0	300.0	528.5
Cash and Bank Balances	424.0	689.2	1,873.8
Liquid Assets	824.0	989.2	2,402.3
Borrowings	5,802.0	6,235.2	7,375.3
Liquid Assets to Borrowings	14.2%	15.9%	32.6%
Advances to Borrowings	140.6%	151.6%	133.4%
Liquid Assets/Total Assets	8.9%	9.2%	19.0%

Borrowings (PKR mn)	Jun'23	Jun'24	Dec'24
PMIC	3,900.0	2,910.0	3,800.0
BOP – Demand Finance	-	625.0	500.0
NBP – Demand Finance	625.0	124.5	-
Microcredit revolving loan – PMIFL	428.6	426.8	426.8
Allied Bank Limited	-	-	200.0
SBP	-	-	49.4
Askari Bank Limited	-	-	250.0
Long-term borrowings incl. current	**4,953.6**	**4,086.3**	**5,226.2**
HBL - Running Finance Facility	98.4	-	-
UBL - Running Finance Facility	250.0	650.0	400.0
NBP	500.0	1,498.9	499.0
Askari Bank Limited	-	-	250.0
NBP – PYMB&AL	-	-	1,000.0
Total Short-term Borrowings	**848.4**	**2,148.9**	**2,149.0**
Total Borrowings	**5,802.0**	**6,235.2**	**7,375.3**

RCDP operates as a microfinance institution without access to consumer deposits; accordingly, it is not exposed to the risk of deposit-related cash calls, which helps maintain liquidity stability. Borrowings continue to constitute the principal funding source. Total borrowings increased to

PKR 7.4 bn by end-Dec'24 (Jun'24: PKR 6.2 bn; Jun'23: PKR 5.8 bn), broadly in line with the expansion in the GLP during the review period. The most significant portion of long-term borrowings originated from the Pakistan Microfinance Investment Company (PMIC), from which RCDP secured an incremental PKR 1.8 bn, while concurrently retiring PKR 0.9 bn in obligations by end-Dec'24. Furthermore, three new long-term financing facilities aggregating PKR 499.4 mn were availed during the period. Short-term borrowings remained broadly unchanged as of end-Dec'24.

The Advances to Borrowings Ratio (ABR) recorded an increase to 151.6% in FY24 (FY23: 140.6%), before moderating to 133.4% in 1HFY25, reflecting continued reliance on loan revolving fund to support credit disbursements. Liquid assets rose to PKR 2.4 bn as of Dec'24 (Jun'24: PKR 1.0 bn; Jun'23: PKR 0.8 bn), driven by an increase in cash placements across deposit accounts. Consequently, the Liquid Assets to Total Assets ratio improved to 19.0% in 1HFY25 (FY24: 9.2%; FY23: 8.9%).

As of Dec'24, total borrowings with current maturity amounted to PKR 0.7 bn, substantially covered by the PKR 2.4 bn in liquid assets. The Institution's liquidity risk is, therefore, mitigated through the maintenance of liquid buffers exceeding near-term repayment obligations and the availability of committed credit lines. A review of current maturities indicates no immediate pressure on cash flows. Additionally, advances categorized as 'Current' stood at PKR 9.8 bn as of Dec'24, providing further comfort. In the event of any unexpected liquidity requirement, maturing advances are expected to sufficiently cover shortfalls, underpinning the Institution's liquidity management framework.

Given the absence of alternative significant funding channels, the Institution has been actively pursuing both enhancement of existing lines and new credit arrangements to sustain operational growth. Going forward, the Institution expects to realize two foreign currency loans: the first is a USD 5 mn facility from Triple Jump, of which the initial tranche of USD 3 mn is anticipated by end-May'25. The second is from Enabling Qapital Ltd., pending approval from the SBP, and is expected to be received by end-Jun'25. The foreign exchange risk on both facilities has been hedged through arrangements with the Bank of Punjab (BoP) and Habib Bank Limited (HBL). Furthermore, three new foreign lenders are currently in the pipeline. Among these, RCDP has received the term sheet from Blue Orchid, while a term sheet has also been received from Agents for Impact, with due diligence planned for both. The third prospective lender is Developing World Markets (DWM). From a liquidity and financing standpoint over the medium term, RCDP appears well-positioned, with committed funds already secured and additional term finance and prospective funding arrangements actively progressing through the pipeline.

Profitability

During FY24, RCDP's total markup income increased to PKR 4.0 bn (FY23: PKR 2.9 bn), primarily driven by a higher yield on earning assets, which rose to 38.1% (FY23: 32.5%) in line with the elevated benchmark rate environment. Concurrently, the cost of funding increased to 22.4% (FY23: 18.6%). However, the rise in asset yields outpaced the increase in funding costs, resulting in an improved spread of 15.7% (FY23: 14.0%). Non-markup income also exhibited an upward trajectory, supported by higher documentation charges amounting to PKR 693.9 mn

(FY23: PKR 603.4 mn), reflecting enhanced loan processing fee income owing to an increase in processing rates during the year. Operating expenditures escalated to PKR 2.3 bn (FY23: PKR 1.6 bn), largely attributable to higher salary and employee benefit costs. Despite a leaner workforce, the increase in staff-related expenses stemmed from inflation adjustments to compensation structures. The uptick in operating charges was partially offset by a lower provisioning expense, primarily due to a sharp reduction in bad debts written off, indicating improved recoveries and better management of delinquent exposures. Consequently, the surplus for the year increased to PKR 848.9 mn (FY23: PKR 475.2 mn), translating into an improvement in the Operational Self-Sufficiency Ratio (OSS), which rose to 121.9% (FY23: 115.2%) in FY24.

During 1HFY25, net markup income registered a significant increase of 70.9% over the corresponding period last year, primarily driven by a reduction in markup expense amid monetary easing during the review period. The return on markup-bearing assets edged up to 39.6% on an annualized basis, while the cost of funding declined to 21.3%, resulting in a widened spread of 18.3%. Non-markup income recorded a moderate increase, largely attributable to a further uptick in loan processing fees. Although total expenditures increased—mainly due to higher programme-related costs—this was partially mitigated by a lower provisioning charge, reflecting a further decline in write offs. Consequently, surplus after tax rose to PKR 670.9 mn (1HFY24: PKR 238.9 mn), while the Operational Self-Sufficiency Ratio (OSS) improved to 133.7%.

Going forward, revenue growth over the medium term is expected to be underpinned by continued expansion of the microfinance loan portfolio, supported by access to additional external funding and broadening of the branch network. As portfolio scale increases, sustaining asset quality will remain integral to mitigating non-performing exposures and preserving credit discipline. Operating expenditures are projected to rise in tandem with inflationary trends and the growing operational footprint. While profitability indicators may witness gradual improvement subject to the realization of portfolio growth targets and prudent cost management, the magnitude of improvement is expected to remain rangebound and contingent on the outcome of the pending formal issuance of the tax exemption certificate under Income Tax Ordinance, 2001. Although the Appellate Tribunal Inland Revenue has adjudicated in the Institution's favor, the certificate's formal reissuance remains in process.

Capitalization

Given RCDP's incorporation as a 'Company Limited by Guarantee,' it does not maintain share capital. Nonetheless, the Institution's reserve base has continued to strengthen, with total reserves reaching Rs. 4.6 bn by end-Dec'24 (Jun'24: Rs. 3.9 bn; Jun'23: Rs. 3.0 bn), driven by consistent accretion of retained earnings. In an effort to reduce reliance on external funding sources, RCDP annually allocates 60% of its surplus to a dedicated loan revolving fund, designed to support the financing of its microfinance portfolio. Additionally, 25% of the yearly surplus is earmarked for a reserve to finance the construction of office buildings. From a capital adequacy perspective, RCDP remains comfortable, with its Capital Adequacy Ratio (CAR) standing at 42.6% (FY24: 39.2%; FY23: 35.6%) during 1HFY25, providing sizeable headroom for portfolio expansion.

Rural Community Development Programmes — Appendix I

FINANCIAL SUMMARY			*(Rs. in millions)*
BALANCE SHEET	**Jun'23**	**Jun'24**	**Dec'24**
Net Advances	7,747.14	8,979.88	9,345.23
Short term investments	400.00	300.00	528.50
Cash and Bank balances	424.03	689.18	1,873.78
Total Assets	9,207.12	10,727.24	12,625.16
Sub-ordinated loan	0.00	0.00	0.00
Long-term loans	4,953.63	4,086.30	5,226.22
Short-term borrowings	848.36	2,148.94	2,149.05
Total Debt	5,801.99	6,235.24	7,375.27
Total Liabilities	6,166.82	6,831.53	8,058.54
Total Equity	3,040.30	3,895.71	4,566.62
INCOME STATEMENT	**FY23**	**FY24**	**1HFY25**
Net Mark-up Income	1,734.69	2,464.16	1,513.64
Net Provisioning/ (Reversal)	273.89	90.94	19.44
Non-Markup Income	227.47	272.40	118.62
Other Income	178.73	210.02	79.02
Profit/ (loss) before Tax	475.20	848.95	670.91
Profit/ (loss) after Tax	475.20	848.95	670.91
RATIO ANALYSIS	**FY23**	**FY24**	**1HFY25**
Gross Infection (%)	0.16%	0.14%	0.37%
Incremental Infection (%)	0.30%	0.32%	0.25%
Specific Provisioning Coverage (%)	45.88%	31.88%	62.41%
General Provisioning Coverage (%)	4.93%	4.96%	4.79%
Net Infection (%)	0.09%	0.10%	0.14%
Net NPLs to Tier-1 Capital (%)	0.23%	0.24%	0.30%
Capital Adequacy Ratio (%)	35.60%	39.15%	42.59%
Markup on Earning Assets (%)	32.52%	38.10%	39.56%*
Cost of funds (%)	18.58%	22.44%	21.30%*
Spread (%)	13.93%	15.66%	18.26%*
OSS (%)	115.15%	121.86%	133.68%
ROAA (%)	5.07%	7.82%	11.49%*
ROAE (%)	16.96%	23.66%	31.71%*
Liquid Assets to Deposits & Borrowings (%)	14.20%	15.86%	32.57%

**Annualized*

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Rural Community Development Programmes
Sector	Microfinance Institution
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	(see below)

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: Entity		
26/05/2025	BBB+	A3	Stable	Reaffirmed
02/05/2024	BBB+	A3	Stable	Upgrade
26/04/2023	BBB	A3	Stable	Reaffirmed
30/04/2022	BBB	A3	Stable	Maintained
29/04/2021	BBB	A3	Rating Watch-Developing	Maintained
16/07/2020	BBB	A3	Rating Watch-Negative	Maintained
02/08/2019	BBB	A3	Stable	Initial

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

Sr. No.	Name	Designation	Date
1.	Mr. Ghulam Haider	Head of Business Affairs	May 09, 2025
2.	Mr. Shamim Haider	Head of PMER	
3.	Mr. Shahid Mehmood	Head of Operations	
4.	Mr. Usman Malik	Head of Finance	