

## RATING REPORT

### Trukkr Financial Services Limited

**REPORT DATE:**

August 12, 2024

**RATING ANALYSTS:**

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**RATING DETAILS**

Rating Category	Initial Rating	
	Long-term	Short-term
Entity Rating	A-	A-2
Rating Date	August 12, 2024	
Rating Outlook/Rating Watch	Stable	
Rating Action	Initial	

**COMPANY INFORMATION**

Incorporated in 2023	External auditors: BDO Ebrahim and Co. Chartered Accountants
Public Unlisted Limited Company	Chairperson: Mr. Sheryar Bawany
Velocity Financial Technologies Inc ( Formerly Finlo Technologies, Inc.) – 100%	Chief Executive Officer: Mr. Sheryar Bawany

**APPLICABLE METHODOLOGY(IES)**

VIS Entity Rating Criteria: Non-Bank Financial Companies

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

**RATING SCALE(S)**

VIS Issue/Issuer Rating Scale

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

**Trukkr Financial Services Limited**

**OVERVIEW OF INSTITUTION**

**RATING RATIONALE**

*Trukkr Financial Services Limited (“the Company”) was incorporated in Pakistan on January 19, 2023 under the Companies Act, 2017. The Company has been granted license from SECP on March 03, 2023 and commenced its operations from March 08, 2023. The Company’s principal activity is to carry on business of “Investment Finance Services” as a licensed Investment Finance Company in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008.*

**Profile of CEO**

*Mr. Sheryar Bawany holds both Bachelor’s and Master’s degrees in Engineering and Finance from Columbia University. Mr. Sheryar has held senior positions at Habib Bank Limited. He was involved in arranging USD 15 bn for various large infrastructure projects under CPEC. He has also worked with prominent new York financial firms, such as UBS Global Asset Management and Sterling Capital Management.*

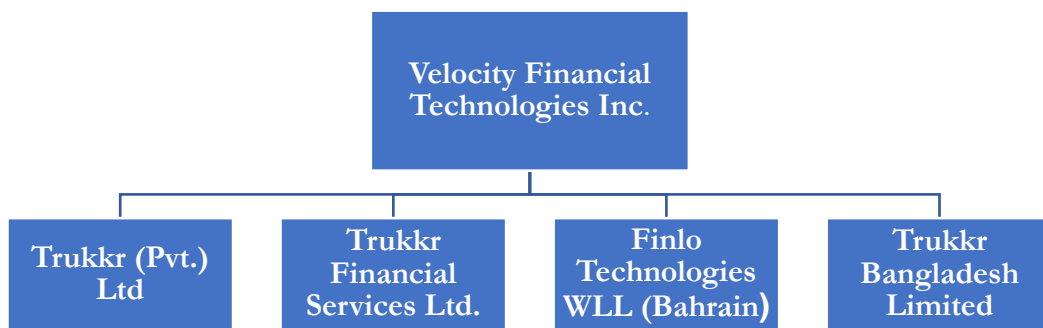
**Company Profile**

Trukkr Financial Services Limited (“TFSL” or “the Company”) was incorporated in Pakistan on January 19, 2023 as a public limited unlisted company. The Company was granted license from the Securities and Exchange Commission of Pakistan (“SECP”) on March 03, 2023, to carry out Investment Finance Services and commenced its operations from March 08, 2023. Their registered office is situated at CTI Building-Empress Road, Lahore, Punjab.

Initially in 2019, Sheryar Bawany, Mishal Adamjee, Ali Haji, and Kasra Zunnaier, launched Trukkr (Pvt) Ltd, an online logistics platform connecting truckers with shippers. Trukkr Transport Management System (TMS) Transporters could list Trukkr’s services with detailed information about their vehicles, such as size, availability, and rates. Shippers seeking transportation services could then connect with these transporters through the Trukkr App. Once a booking was confirmed, the platform ensured smooth trip execution. Over time, Trukkr evolved based on customer feedback and gained traction with clients such as Lucky Cement, Artistic Milliners and Agha Steel Industries Limited.

However, in 2023, the startup pivoted to a fintech model. Recognizing that many trucking companies faced working capital constraints that limited their asset utilization, Trukkr secured a non-banking financial institution (NBFI) license from the Securities and Exchange Commission of Pakistan (SECP). This enabled them to address the financing gap by leveraging logistics data to underwrite loans for trucking companies, helping them scale their businesses and increase revenues. Trukkr Financial Services Limited (TFSL) now operates as a licensed Investment Finance Company in accordance with the NBFC regulations.

The Company is a subsidiary of Velocity Financial Technologies Inc (Formerly Finlo Technologies, Inc.), (“the Holding Company”) registered and located in Delaware, US, which holds 100% shares of the Company as of December 31, 2023.



Velocity Financial Technologies Inc. (formerly Finlo Technologies, Inc.) (“VFTI” of the ‘Holding Company’) is a holding company registered in Delaware, USA, with the objective of digitizing logistics in developing economies and provide financing options to underserved sectors within these regions. VFTI focuses on solutions to enhance the efficiency and accessibility of logistics services. Additionally, it invests in fintech to offer advanced financial solutions supporting its logistics initiatives. VFTI operates wholly-owned subsidiaries in Pakistan, Bahrain, and Bangladesh. Around 80% of the shareholding of the Holding Company is vested with the management of TFSL namely Mishal Zahid Adamjee (21.38%), Sheryar Bawany

(21.38%), Ali Haji (21.38%) and Kasra Zunnaiyyer (9%). VFTI has raised two equity funding rounds, pre seed of USD 600,000 and seed of USD 6.4 million. The last round of funding included investments from US-based Accion Venture and Hi2 Global, London-based Sturgeon Capital and Bahrain based Al Zayani Venture Capital (Investor information attached as Annex II). Shareholdings will be duly revised in the next round of valuation.

**Industry Overview:**

The trucking industry in Pakistan is characterized by high levels of competition, with a large informal and unorganized segment. As the backbone of the economy, the logistics sector contributes 12% to the GDP and handles 98% of the nation's transportation needs. The logistics and warehousing sector employs 6% of the total workforce as of July 2023. The trucking market is estimated to be around USD 14 billion, fragmented with over 350,000 independent operators.

Despite its significance, the logistics sector faces numerous inefficiencies. Overloading, poor infrastructure, and security concerns are major issues. Additionally, access to affordable financing remains a significant hurdle. Small and medium-sized logistics companies struggle to invest in modern infrastructure, technology, and fleet expansion due to a lack of financial support and high-interest rates.

Pakistan’s trucking industry dominated by small scale entrepreneurs have most relied on informal sources of credit for finance. Informal financing, with high borrowing costs, constrains driver-owners from upgrading obsolete trucks to modern vehicles. The lack of recognition of the trucking sector as a credible and documented part of the economy is a major reason for the lack of access to banking sector finance by investors and entrepreneurs. Mostly modarabas and leasing companies are currently active in truck financing, with Orix leasing being the lead. Additionally, banks/DFIs also provide financing to limited SME sector clients.

**Organizational structure:**



The board composition comprises four members, including an independent director. The Board of Directors oversees the CEO, who manages the overall operations of the Company. Other executives, including the CIO, COO, CFO, and CTO, oversee their respective departments. Internal Audit and the Company Secretary provide governance and compliance support. It is pertinent to mention that risk and compliance are segregated in distinct functions, however, these same functions are headed by the same person.

The Company has ensured oversight with two board committees, namely audit and risk and compliance committee. Each of these committees comprises independent directors, albeit a repetition is observed in the same. As per management, additional Board members are to be added on the Board over time.

### **Senior Management**

The sponsors are actively involved in the management of the Company. The management team encompass significant experience in the field of finance, logistics, private equity, fintech, and technology sectors in Pakistan as well as abroad. They also hold a strong academic background. Given this background, the management quality of the Company is considered sound. Profile of notable management personnel is as follows:

- **Chief Executive Officer and Director:** Mr. Sheryar Bawany is a distinguished finance and logistics professional with an extensive career marked by senior roles at Habib Bank Limited in corporate and investment banking. An alumnus of Columbia University, Sheryar holds both Bachelor's and Master's degrees in Engineering and Finance, showcasing his strategic and analytical acumen in financial operations. His expertise is further enriched by his experience with renowned New York financial firms, including UBS Global Asset Management and Sterling Capital Management. Beyond his commercial achievements, Sheryar serves as a dedicated board trustee of the Ayesha & Latif Bawany Foundation.
- **Chief Investment Officer and Executive Director:** A graduate of UNC Chapel Hill, Mishal has an extensive background in Private Equity across Saudi Arabia, Egypt, and the UAE, where he led the portfolio management team overseeing investments in aviation (NAS Air, NetJets Middle East), technology (Careem), and logistics (Ninja Van). In 2011, Mishal founded Adamjee Automotive, a master agent for Robert Bosch GmbH Automotive in the MENAP region, growing the business to over \$20 million annually and successfully orchestrating its sale and exit to Robert Bosch GmbH in 2018. Mishal is also a Trustee at the Adamjee Foundation, one of Pakistan's largest and oldest charitable trusts focused on healthcare and education. Additionally, he is a Founding Trustee at the Hamid Adamjee Trust, which is dedicated to women's welfare, inclusion, and education.
- **Chief Operating Officer and Executive Director:** Mr. Ali Haji, a graduate of Columbia University with a bachelor's in economics, has over 20 years of experience in reputable financial institutions such as Lehman Brothers, Nomura apart from being co-founder of The Dubai Bazaar. He has also held directorship in two companies where he oversaw and ensured the expansion and played the role of an advisor. He graduated from Columbia University with a bachelor's in economics.

### **Product and Services Portfolio**

The Company provides a range of financing products tailored to the needs the logistics sector broadly categorized between short-term working capital financing/invoice factoring and longer term asset backed financing.

### **Loan Approval & Recovery Process**

TFSL acquires data through each entity's business relationship with Trukkr (Pvt.) Ltd, which forms the basis for an initial scorecard. The "digital credit machine" employs advanced analytics and specific artificial intelligence algorithms on both existing and new data to generate a credit score for each prospective

borrower.. Primary identification details are processed in real-time through NADRA, followed by comprehensive sanction screening and checks with Credit Bureaus before confirming a credit line and disbursing funds digitally. The lending process is structured so that the end-use of funds is restricted to a single use-case, ensuring that the end-use is monitored and controlled, thereby maintaining a closed-loop system.

Loan recovery is facilitated through various methods, including direct debit via invoice, digital repayment through bank accounts or mobile wallets, agent networks, courier companies, or in-person collection from the truck driver or transport company. The Company has implemented systems to ensure regulatory compliance, mitigate associated credit risks, control delinquencies and losses, and maintain satisfactory portfolio health within its lending segment. This is achieved through dedicated Risk, Compliance, and Internal Control functions.

In addition, the technology in place by the Company entails real-time data insights for quick decision making, graphs and visual analysis of KPIs important to the borrowers' business, identifying trends and patterns to solve underlying problems.

### **Rating Drivers:**

#### **Ratings incorporate experience of board and management team**

Ratings draw comfort from the business acumen and hands on experience of the Board and Management team. TFSL's Board of Directors and senior management possess expertise across finance, logistics, private equity, fintech, and technology sectors, both domestically and internationally. CEO Sheryar Bawany has extensive experience from senior roles at Habib Bank Limited and major New York financial firms, coupled with strong educational background from Columbia University. CIO Mishal Zahid Adamjee has a background in private equity and entrepreneurship, with experience in scaling and exiting businesses. CFO Ahmad Zubian specializes in fintech, regulatory compliance, and leveraging technology for growth. CTO Kasra Zunnaiyyer is an IT professional recognized for software solutions and leadership in technological advancements. Their strong business management skills are evident in their ability to attract international funding by effectively building strong investor relationships.

#### **Ratings incorporate risk management framework**

Ratings take into account the risk management framework adopted by the Company which not only encompasses the use of advanced analytics and specific artificial intelligence algorithms on existing and new data but also includes a comprehensive analysis of 1) financial data providing insights into the creditor's business activity and 2) trip data supporting sufficient business activity to meet loan repayment obligations. Specific triggers and mitigation checks have been clearly laid out to identify potential risks. In addition, the visibility of industry and client specific data provided by the Trukkr app provides greater leverage to the Company. The Company's provisioning policy is in line with the NBFC regulatory policies. In addition, loan recovery process is also adequately equipped.

#### **Ratings draw comfort from projected sponsor support**

Assigned ratings are underpinned on projected equity support planned to be injected in the Company over time. Any funding gaps are to be covered through additional equity injection from the parent. Ratings draw comfort from investor profile in the parent company who have invested USD 6.4M in the last round.

**Strong growth potential, albeit remains sensitive to maintenance of risk profile**

As the Company continues to scale operations, it will be essential to not only focus on growth metrics but also on maintaining robust and strategic management practices. The Company's ability to sustain their rapid growth and increase their outreach will remain important. Prudent management of credit risk and continued improvement of control environment remains vital.

**Ratings acknowledge the moderately secure nature of the portfolio mix.**

The Company's loan portfolio is composed of approximately 57% long term tenors through asset financing. Short-term finance is backed by an outstanding invoice from delivered goods, provided by the borrower, though recovery risk remains due to reliance on the timely payment from the borrower's customer. The Company intends to increase the proportion of working capital financing within its loan portfolio. In contrast, vehicle financing is secured by collateral in the form of the vehicle, mitigating recovery risk for this loan category. Maintaining a sizeable portfolio of secured loans will remain important for the business risk profile of the Company.

**Portfolio growth to be supported by maintenance of liquidity and capitalization profile**

During the growth phase of building a portfolio, liquidity may face persistent challenges. As funds are directed toward expanding assets, cash flows may become strained. The Company is in the process of negotiating running finance facilities from banks to mitigate this risk to some extent. Careful financial management will be important to navigate liquidity constraints.

At the same time, to support Company's portfolio book, Company plans on leveraging its balance sheet by taking on debt. While this leveraging enables the Company to access the necessary capital, it will remain crucial to manage the capitalization metrics, to ensure they remain within reasonable levels of 2.5x-2.7x. However, as the Company is currently in its growth stage, it is expected to experience cashflow gaps, which will be met by equity injection by the sponsors, if needed.

**Limited business history. Ratings remain underpinned on achievement of plans**

With only one year of operational history, there is a limited track record to support the Company's ability to achieve consistent financial results, manage credit risks, and navigate economic cycles. Ratings therefore remain underpinned on achievement of projected plans.

**Trukkr Financial Services Limited**

**Appendix I**

**Shareholding Pattern**

Shareholders	%
Mishal Zahid Adamjee	21.38%
Sheryar Bawany	21.38%
Ali Haji	21.38%
Kasra Zunnaaiyyer	9.00%
Waqas Siddiq Khatri	5.00%
Bilal Ali Mehkri	2.85%
Ahmed Mustafa	1.90%
Hisham Zahid Adamjee	1.90%
ESOP	15.23%
<b>Total</b>	<b>100.00%</b>

- **Sturgeon Capital:** Sturgeon Capital is a private investment boutique with \$280m in AuM focused on Frontier Markets, with a particular focus on startups in Central and South Asia.
- **Accion Venture Labs:** Accion Venture labs is an early-stage investor in inclusive fintech, providing seed-first capital and strategic support to startups that are meeting the financial needs of underserved people globally. Accion Venture Lab has invested in more than 65 early-stage startups that operate in over 30 countries worldwide with a record of social impact and financial returns.
- **Al-Zayani Investments:** A diversified group with a rich heritage involved in industries such as automotive, manufacturing, real estate, health care and venture capital services and is based in Bahrain.
- **Hi2 Global:** Hi2 Global is an Investment as a Service global asset allocation platform that provides fin-tech enabled asset management, investment advisory, investment banking and family office services. With headquarters in New York and operations in Beijing and Singapore. Hi2 Global allocates capital to the U.S. and emerging markets through private credit funds and early-stage venture funds.
- **Kinnow Capital:** Kinnow Capital is a venture capital firm based in San Francisco, CA investing in Pakistani startups.

REGULATORY DISCLOSURES						Appendix II
<b>Name of Rated Entity</b>	Trukkr Financial Services Limited					
<b>Sector</b>	Non-Banking Finance Company					
<b>Type of Relationship</b>	Solicited					
<b>Purpose of Rating</b>	Entity Rating					
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>	
	<b>RATING TYPE: Entity</b>					
	12-Aug-24	A-	A-2	Stable	Initial	
<b>Instrument Structure</b>	N/A					
<b>Statement by the Rating Team</b>	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.					
<b>Probability of Default</b>	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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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>			<b>Date</b>	
	Sheryar Bawany	CEO			10 July 2024	
	Ahmed Zubian	CFO				