RATING REPORT

CSC Empowerment and Inclusion Programme (CEIP)

REPORT DATE:
April 23, 2025

RATING ANALYSTS:
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RATING DETAILS				
	Current Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity Rating	BBB-	A3	BBB-	A3
Rating Date	April 23, 2025		February 22, 2024	
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Initial	

COMPANY INFORMATION	
Incorporated in 2015	**Board Chairman:** Ms. Amna Shareef
Public Limited Company	**CEO:** Ms. Shaista Khalid Jan
Company Limited by Guarantee	**External Auditors:** Munif Ziauddin & 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

CSC Empowerment and Inclusion Programme (CEIP)

OVERVIEW OF THE INSTITUTION

CSC Empowerment and Inclusion Programme (CEIP) is a public listed company, incorporated on March 19, 2015, under Section 42 of the Companies Act, 2017, as a limited liability entity without share capital. The Company was granted approval to operate as a Non-Bank Microfinance Company (NBFC) on December 14, 2016. Its registered office is located at 319-4/D-1, Green Town, Lahore.

Profile of Board Chairman:
Ms. Amna Shareef holds a BBA degree from PIMSAT, Islamabad. She has over 11 years of experience in the banking sector, having previously worked at Standard Chartered Bank. She was employed as a Treasury Executive at Telenor Pakistan (Pvt.) Limited.

Profile of CEO:
Ms. Shaista Khalid Jan has 36 years of experience in the microfinance and

RATING RATIONALE

The ratings assigned to CSC Empowerment and Inclusion Programmes' ('CEIP' or the 'Institution') reflect its resilience as a microfinance institution focused on socio-economic empowerment, particularly for women and youth in semi-urban Punjab. A sound system of checks and balances informs an adequate governance framework, with experienced leadership and a disciplined approach to credit risk. The Institution benefits from a structured loan approval process, strong risk mitigation practices, and a diversified product mix, which contribute to stable asset quality. CEIP's lending approach is predominantly group-based, leveraging social guarantees to minimize delinquency risks, while its digital transformation initiatives enhance operational efficiency and collection processes.

The Institution's cautious lending strategy, coupled with stringent onboarding and monitoring processes, has resulted in low non-performing loans and full provision coverage. Profitability remains stable, driven by net markup income and controlled expenditures, while operational self-sufficiency indicators underscore its ability to sustain operations independently. The planned expansion of branch network and diversification into Shariah-compliant products is expected to support future growth. The Institution maintains adequate liquidity and capitalization, supported by strong relationships with funding partners such as PMIC and PPAF, ensuring stable financial access.

Going forward, the ratings will be supported by CEIP's adherence to its prudent lending practices, sustained profitability, and successful execution of its expansion plans.

Company Profile

CSC Empowerment and Inclusion Programme is a public limited company, incorporated as a non-governmental organization (NGO) in 1989 to promote the socio-economic empowerment of women and youth in semi-urban areas of Punjab. The Institution was granted a license to operate as a Non-Bank Microfinance Company (NBFC) in 2016, enabling it to expand its microfinance initiatives. CEIP provides integrated development services to marginalized communities across Punjab, with funding support from the Pakistan Poverty Alleviation Fund (PPAF) and the Pakistan Microfinance Investment Company (PMIC). CEIP partnered with PPAF in 2001 and successfully completed twelve financial intermediation phases before transitioning to PMIC in March 2017, with which it has since completed three financial phases. The Institution remains committed to facilitating financial inclusion through sustainable partnerships and ongoing collaboration with key financial stakeholders.

To further scale up its microfinance operations, CEIP obtains financing to bridge funding gaps and expand its reach to underserved areas. CEIP has entered into a crowd-based funding arrangement with Kiva Microfunds (KMf), a U.S.-based non-public benefit corporation. The agreement remains in process and is subject to approval by the State Bank of Pakistan (SBP), which is expected to be received in due course. KMf is managing the hedging risk, while the Institution will act as an intermediary, borrowing funds and extending loans, with KMf retaining the credit risk. Additionally, CEIP is in the final stages of a financing arrangement with a local Islamic Bank, to be secured in the near term, and to fund the CEIP's Islamic financing portfolio.

development sector. She has been associated with CEIP for nine years, contributing to its initiatives in financial inclusion and empowerment.

CEIP's senior management and Board of Directors consist of experienced professionals with considerable experience in microfinance and financial services. The Board currently comprises five members, including the Chairperson, Ms. Amna Sharif. It exercises oversight through two Board-level committees—the Board Audit Committee and the Board HR Committee.

Loan Approval & Collection Process

The loan approval process at CEIP follows a structured and risk-mitigated approach. It begins with the Credit Officer (CO), who identifies and assesses potential borrowers through a comprehensive evaluation, including information collection, on-site visits to residential and business premises, and cash flow assessment. As part of its commitment to environmental sustainability, CEIP ensures that financing is not extended to businesses that may pose environmental risks. Portfolio segregation is maintained on a sectoral basis to prevent concentration risk and mitigate exposure to environmentally harmful enterprises. Field staff and clients receive appropriate training on environmental safety, with access to a clearly defined list of whitelisted and blacklisted businesses based on sustainability criteria.

To further reinforce compliance, CEIP conducts pre-loan verification visits to assess a client's business operations and living conditions, ensuring alignment with its lending guidelines. Additionally, post-disbursement physical visits are carried out to verify that the loan proceeds are utilized as intended in the loan application. Biometric verification is performed using a thumbprint device integrated with mobile data SIMs. Once the initial screening is completed, the Branch Manager (BM) reviews the applicant's profile, followed by a 100% field screening process supervised by the Head Office (HO). CEIP employs a tiered approval mechanism based on loan size—loans up to Rs. 100,000 are approved and disbursed by the BM, while those between Rs. 100,000 and Rs. 200,000 undergo an additional layer of screening by the Area Manager (AM) and are disbursed in the physical presence of the BM. For loans exceeding Rs. 200,000, the Risk & Compliance Team at the HO conducts a thorough evaluation to ensure a comprehensive credit assessment and mitigate potential risks. In group lending, group heads provide post-dated cheques (PDCs) as documented collateral to safeguard against credit risk. Additionally, CEIP's internal policy restricts lending to borrowers with a history of default or outstanding liabilities exceeding Rs. 100,000. Loans are exclusively extended to existing businesses, with a preference for clients possessing alternative income sources and those slightly above the poverty line, thereby mitigating repayment risks.

In alignment with its digital transformation strategy, CEIP has fully digitized loan installment collections across all branches, transitioning to a completely cashless model. This has been achieved through the integration of CEIP's system with Munsalik, a digital platform provider that facilitates payments via online banking channels such as JazzCash, Easypaisa, and OneLink. Simultaneously, loan disbursements have been centralized through CEIP's partnership with MCB Bank Limited, ensuring secure and efficient transactions. Looking ahead, the Institution aims to integrate electronic devices, such as tablets, into its field operations to digitize documentation and credit administration processes. This initiative will enable Credit Officers to complete loan applications, record assessments, and manage client data online, enhancing accuracy and operational efficiency.

Productivity Analysis

Productivity Indicators	FY22	FY23	FY24	1HFY25
No. of Loan Officers	162	149	120	127
No. of Branches	33	31	31	31
No. of Active Borrowers	47,093	42,933	33,334	34,052
LOs/Branch	4	4	3	4
Active Borrowers/LO	290	288	277	268
Active Borrowers/Branch	1,427	1,384	1,075	1,098
Average Loan Size (Rs.)	40,855	41,352	45,855	46,213

CEIP's total LO headcount has been declining over time but recorded a slight uptick in 1HFY25. During FY24, CEIP operated 31 branches, with no new openings during the review period. Consequently, the LOs per Branch ratio declined to 3 (FY23: 4), reverting to 4 at end 1HFY25. To enhance its outreach, CEIP plans to expand its branch network by opening 11 new branches over the next five financial years, bringing the total branch count to 42 by FY29. The Institution anticipates securing funding from PMIC and other financial institutions, as scheduled, to support this expansion.

Additionally, the number of active borrowers declined in FY24, in line with a cautious lending approach implemented, aimed at preserving portfolio quality in a challenging macroeconomic environment. Consequently, the number of clients per loan officer (LO) decreased to 277 in FY24 and subsequently to 268 (FY23: 288). CEIP has historically maintained a case load per credit officer close to 300, with additional LOs deployed in high-potential branches where the active client base exceeds 1,200. The case load analysis indicates manageable efficiency levels, with no immediate risk of understaffing; however, ensuring long-term LO retention remains critical for sustained growth in microlending. During 1HFY25, as economic conditions improved, signaling a recovery in borrowers' repayment capacity, CEIP gradually expanded its lending activities, leading to a modest rise in the number of active borrowers. Meanwhile, the average ticket size increased, primarily due to the impact of elevated inflation from the previous year.

Financial Analysis

Credit Risk

<u>Gross Loan Portfolio (GLP)</u>

During FY24, the Gross Loan Portfolio (GLP) declined to Rs. 1.5 bn (FY23: Rs. 1.7 bn), aligning with a reduction in total disbursements to Rs. 2.5 bn (FY23: Rs. 2.8 bn) across the Institution's various lending programs. The scaling down of disbursement activities reflected the constrained debt repayment capacity of borrowers amid weak macroeconomic conditions. In 1HFY25, the GLP stood at Rs. 1.6 bn, primarily driven by an increase in the average ticket size, attributable to the inflationary impact on loan pricing, while the number of active borrowers exhibited limited growth. Going forward, the GLP is targeted to reach Rs. 2.0 bn by end-FY25, with projected disbursements of Rs. 2.7 bn. CEIP operates as a non-deposit-taking microfinance institution; as such growth will remain contingent on the timely availability of external funding.

Microcredit Portfolio Risk Segregation

Product Mix (Rs. mn)	FY22	%	FY23	%	FY24	%	HFY25	%
Business Development Loan	591	30.7%	533	30.0%	449	29.4%	475	30.2%
Graduation Loan	51	2.7%	49	2.8%	87	5.7%	113	7.2%
Graduation Loan Bullet	129	6.7%	96	5.4%	36	2.4%	29	1.8%
Home Improvement Loan	13	0.7%	7	0.4%	1	0.0%	0	0.0%
IFL	95	4.9%	79	4.4%	46	3.0%	51	3.3%
Microcredit Loan	1,040	54.0%	1,001	56.4%	894	58.5%	894	56.8%
Solar Energy Loan	3	0.2%	9	0.5%	9	0.6%	8	0.5%
Rickshaw Loan	1	0.1%	2	0.1%	4	0.3%	3	0.2%
Total	**1,924**	**100.0%**	**1,775**	**100.0%**	**1,529**	**100.0%**	**1,573**	**100.0%**

Microcredit and Business Development Loans continue to serve as the Institution's core offering, representing 87.0% (FY24: 87.9%; FY23: 86.4%) of the total performing portfolio in 1HFY25. The share of other loan products has remained limited and largely stable over the past few years. The Institution's product mix and its contribution to the GLP is presented in the table above.

Segments (Rs. mn)	FY22	%	FY23	%	FY24	%	HFY25	%
Agriculture	49	2.6%	33	1.8%	22	1.4%	21	1.3%
Commerce	374	19.4%	356	20.0%	301	19.7%	223	14.1%
Handicraft	214	11.1%	197	11.1%	194	12.7%	229	14.5%
Livestock	471	24.5%	365	20.6%	222	14.6%	226	14.4%
Manufacturing	34	1.8%	51	2.9%	42	2.8%	60	3.8%
Trading & Business	581	30.2%	603	34.0%	596	39.0%	652	41.4%
Others	201	10.5%	171	9.6%	151	9.9%	163	10.4%
Total	**1,924**	**100.0%**	**1,775**	**100.0%**	**1,529**	**100.0%**	**1,574**	**100.0%**

The sectoral breakdown of the loan portfolio indicates that Trading & Business, Commerce, and Livestock remain the primary focus areas for the Institution. The management has deliberately scaled down Agri-based lending due to the inherent bullet repayment structure associated with such loans.

Convt. vs Shariah (Rs. mn)	FY22	%	FY23	%	FY24	%	HFY25	%
Conventional Loans	1,924	100.0%	1,775	100.0%	1,529	100.0%	1,573	100.0%
Shariah Loans	-	-	-	-	-	-	-	-
Total	**1,924**	**100.0%**	**1,775**	**100.0%**	**1,529**	**100.0%**	**1,574**	**100.0%**

During the review period, all advances disbursed by the Institution were conventional. However, in the second half of the ongoing year, CEIP commenced Murabaha-based lending, disbursing approximately 90 Islamic loans. To further support and scale these offerings, the Institution has partnered with an Islamic Bank to secure the necessary financial support.

Secured/Unsecured (Rs. mn)	FY22	%	FY23	%	FY24	%	HFY25	%
Secured Loans	1	0.1%	2	0.1%	4	0.3%	3	0.2%
Unsecured Loans	1,923	99.9%	1,773	99.9%	1,524	99.7%	1,570	99.8%
Total	**1,924**	**100.0%**	**1,775**	**100.0%**	**1,529**	**100.0%**	**1,574**	**100.0%**

Given that CEIP primarily serves underprivileged communities with low-income levels who often lack the collateral required for secured lending, unsecured loans constitute a significant portion of the Institution's loan portfolio.

EMI/Bullet (Rs. mn)	FY22	%	FY23	%	FY24	%	HFY25	%
EMI	1,794	93.3%	1,680	94.6%	1,492	97.6%	1,545	98.2%
Bullet	129	6.7%	96	5.4%	36	2.4%	29	1.8%
Total	**1,924**	**100.0%**	**1,775**	**100.0%**	**1,529**	**100.0%**	**1,574**	**100.0%**

Except for the graduation loan product, which includes both bullet and EMI-based repayment structures, all other products offered by the Institution feature monthly installment schedules, maintaining a consistently high proportion of EMI-based loans in the portfolio. Going forward, management plans to phase out bullet loans entirely in the medium term due to the elevated repayment risk associated with this structure.

Group/Individual (Rs. mn)	FY22	%	FY23	%	FY24	%	HFY25	%
Group Based	1,711	88.9%	1,602	90.2%	1,470	96.2%	1,507	95.8%
Individual	213	11.1%	173	9.8%	59	3.8%	66	4.2%
Total	**1,924**	**100.0%**	**1,775**	**100.0%**	**1,529**	**100.0%**	**1,574**	**100.0%**

CEIP's lending methodology remains predominantly group-based, representing 95.8% of the GLP in 1HFY25 (FY24: 96.2%; FY23: 90.2%). 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. However, according to management, CEIP has not encountered such challenges, and group lending continues to be its preferred model. This approach leverages social guarantee pressure, which serves as a safeguard against moral hazard and delinquency risks. This is evidenced by the Institution's asset quality which has remained protected despite the difficult economic climate and the pandemic over the last 5 years.

Portfolio oversight and credit discipline

Description	FY24 (Rs. mn)	%	HFY25 (Rs. mn)	%
Upto Rs. 25,000	21	1.4%	23	1.5%
Rs. 25,000 - Rs. 50,000	94	6.1%	86	5.5%
Rs. 50,000 - Rs. 75,000	392	25.6%	406	25.8%
Rs. 75,000 - Rs. 100,000	733	48.0%	751	47.7%
Rs. 100,000 - Rs. 250,000	283	18.5%	298	19.0%
Rs. 250,001 - Rs. 500,000	1	0.0%	4	0.2%
Rs. 500,000 and above	5	0.4%	5	0.3%
Total	**1,529**	**100.0%**	**1,574**	**100.0%**

During 1HFY25, the Institution's average loan size stood at Rs. 46,213 (FY24: Rs. 45,855; FY23: Rs. 41,352). A significant proportion of loans fell within the 'Rs. 75,000 – Rs. 100,000' category, accounting for 47.7% of the portfolio (FY24: 48.0%; FY23: 41.8%). Loan amounts are gradually increased with each successive cycle based on the borrower's repayment history. New clients undergo a stringent onboarding process and are initially offered a predetermined base amount for each product category. Upon establishing a satisfactory repayment history, financing limits are enhanced for repeat borrowers. This approach is particularly evident within CEIP's flagship products, which have the highest number of clients in successive loan cycles.

Asset Quality

Asset Quality (Rs. mn)	FY22	FY23	FY24	1HFY25
Gross Advances	1,924	1,727	1,530	1,574
Specific Provisioning	73	48	31	5
General Provisioning	21	13	9	22
Further Provisioning	5	26	-	6
Net Advances	1,825	1,689	1,521	1,541
NPLs	81	48	31	5
NPLs written off	109	37	5	3
Gross Infection	4.2%	2.7%	2.0%	0.3%
Net Infection	0.4%	0.0%	0.0%	0.0%
Incremental Infection	0.0%	0.2%	-0.8%	-1.5%
Specific Provisioning Coverage	90.0%	100.0%	100.0%	100.0%
General Provisioning Coverage	1.4%	2.2%	0.6%	1.8%

As part of its broader strategy to strengthen the asset quality of its microcredit portfolio, CEIP prioritizes existing client relationships while adopting a selective approach towards new client acquisition, focusing on borrowers with a proven repayment history to mitigate credit risk and minimize non-performance. As of Jun'24, Non-Performing Loans (NPLs) stood at Rs. 30.6 mn (Jun'23: Rs. 48.2 mn). Accordingly, the gross infection ratio improved to 2.0% in FY24 (FY23: 2.7%). There was no net infection reported during the review period, as all NPLs were fully provisioned. The decline in NPLs was also accompanied by a lower quantum of write-offs, amounting to Rs. 5.2 mn in FY24 (FY23: Rs. 36.6 mn), indicating no incremental infection[1] over the period.

Specific provisioning coverage remained unchanged at 100.0% in FY24 (FY23: 100.0%), while general provisioning coverage[2] declined to 0.6% (FY23: 2.2%). Nevertheless, the general provision remained in compliance with regulatory requirements for Non-Banking Finance Companies (NBFCs), which mandate a minimum general provision of 0.5% on the net outstanding microfinance portfolio.

In 1HFY25, the gross infection ratio further improved to 0.3%, with specific and general provisioning coverage reported at 100.0% and 1.8%, respectively. These metrics reflect continued improvement in portfolio quality, with no significant accumulation of credit risk.

Market and Reinvestment risk

As of Jun'24, the Institution's total investments stood at Rs. 15.3 mn (Jun'23: Rs. 55.3 mn). CEIP's investment portfolio comprises term deposit receipts (TDRs) with maturities ranging from one month to one year, offering markup rates between 17.5% and 20.1% per annum during FY24 (FY23: 12.1% to 18%). These investments are placed with banks that have strong financial standing and sound credit ratings, ensuring minimal counterparty risk. Additionally, as all investments are short term, exposure to market risk remains insignificant. While some re-pricing risk is evident in a sharply falling environment, the portfolio size is limited and will not by itself have a significant effect on earning generation capacity. On the other hand, the microcredit portfolio will be re-priced, although largely offset by falling funding costs.

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

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

Profitability

Total markup income posted a modest increase of 2.1%, reaching Rs. 731.1 mn in FY24 (FY23: Rs. 716.3 mn). This growth was primarily supported by higher markup on performing advances, despite contraction in the gross loan portfolio, as the average yield on performing advances rose to 43.8% (FY23: 39.2%). The improvement in yield reflects the impact of a higher average policy rate during FY24. Markup expense also edged up to Rs. 362.7 mn (FY23: Rs. 357.3 mn), in line with an increase in the average cost of funds to 23.4% (FY23: 20.7%). With a proportionate rise in both the return on markup-bearing assets and the cost of funds, the markup spread remained stable at 14.6%.

Non-markup income recorded a slight uptick, rising to Rs. 110.9 mn (FY23: Rs. 106.4 mn), primarily driven by higher loan processing fee income owing to increased processing rate. Total expenditures increased moderately to Rs. 412.1 mn in FY24 (FY23: Rs. 403.4 mn), mainly due to higher salary and employee benefit costs. This rise occurred despite a reduction in overall headcount, reflecting inflation-adjusted enhancements in compensation. This was partially mitigated by lower provisioning against NPLs, owing to provisioning reversals following the adoption of IFRS-9. As a result, surplus after tax improved to Rs. 70.7 mn (FY23: Rs. 66.3 mn), reflecting a year-on-year growth of approximately 6.6%. Operational Self-Sufficiency (OSS) remained stable at 107.4% (FY23: 107.3%).

Net markup income for 1HFY25 increased by 3.4% compared to the corresponding period last year, primarily due to a more pronounced decline in markup expense relative to markup income. This improvement was driven by lower policy rates during 1HFY25 as compared to 1HFY24, with the impact being more immediate on the funding side. Non-markup income recorded a moderate increase, mainly attributable to further increase in loan processing fee. Meanwhile, non-markup expenses declined, supported by a reduction in compensation and operational costs, although this was partially offset by higher provisioning expense, in line with an increase in general provisions. As a result, surplus after tax was higher at Rs. 36.3 mn (1HFY24: Rs. 24.9 mn). Operational Self-Sufficiency (OSS) marks slight uptick at 107.9%.

Going forward, revenue growth over the medium term is expected to be supported by business expansion initiatives, facilitated through additional external funding and network expansion. As the loan portfolio grows, maintaining asset quality will be essential to managing non-performance and containing credit risk. Overheads are projected to rise in line with inflation and the expanding scale of operations. Profitability may improve if growth targets are met and costs remain contained, although the scale of the improvement is expected to remain rangebound. The overall impact on the bottom line is also contingent on the outcome of the pending application for renewal of the tax exemption certificate from the Federal Board of Revenue (FBR).

Liquidity and Leverage

CEIP manages liquidity risk by maintaining sufficient liquid assets vis-a-vis repayment requirements on fixed term borrowings and the continued availability of funding through committed credit facilities. A review of current maturities reveals no immediate pressure on repayments, with the liquidity profile further boosted by the significant surplus liquidity maintained. CEIP's liquidity position has shown improvement over the review period, as indicated by an increase in liquid assets relative to outstanding obligations, reaching 31.6% (FY24: 28.9%; FY23: 16.5%) at the end of 1HFY25. This growth is primarily driven by a higher allocation of funds into bank deposits, which stood at Rs. 514.8 mn as of Dec'24 (Jun'24: Rs. 430.9 mn; Jun'23: Rs. 202.4 mn). The shift in allocation was largely due to a decline in disbursement activities, leading to an increased preference for holding funds in bank deposits rather than deploying them through loan advances. Consequently, liquid assets in absolute terms increased to Rs. 531.5 mn by Dec'24 (Jun'24: Rs. 446.2 mn; Jun'23: Rs. 257.7 mn). Under current conditions, the Institution's liquidity position appears adequate to support its operational requirements.

Total borrowings stood at Rs. 1,684.1 mn (Jun'24: Rs. 1,544.1 mn; Jun'23: Rs. 1,560.8 mn) at the end of Dec'24. A significant portion, approximately 90%, of the Institution's borrowings were sourced from the Pakistan Microfinance Investment Company (PMIC). Additionally, during the ongoing year, CEIP secured an additional loan of Rs. 140 mn from PMIC to support its microfinance operations, bringing the total outstanding borrowings from PMIC to Rs. 1,500.0 mn.

The Institution also has an interest-free loan amounting to Rs. 105.8 mn from the Pakistan Poverty Alleviation Fund (PPAF) to support the Interest-Free Loan product. While the loan is set to mature during the ongoing year, it has been regularly renewed since 2015, ensuring continued support for the program. Furthermore, CEIP maintains a short-term borrowing facility through a running finance arrangement of Rs. 50 mn under markup-based terms.

Going forward, CEIP plans to secure additional funding from financial institutions, including both foreign and local institutions. During this period, a total inflow of Rs. 6.8 bn is expected from PMIC. KIVA, a U.S.-based organization, has recently entered into an agreement with CEIP to provide financial support of up to USD 300,000 on a case-by-case basis during FY25. These funds are interest-free, with a front-end fee ranging between 5.0% and 6.5%. Repayments will begin in the month following the full disbursement of the annual allocation. All necessary formalities and agreements have been completed, and operations are set to commence by June 2025. The forex risk will be borne by KIVA. A domestic Islamic Bank, has also entered into an agreement with CEIP to provide credit lines for supporting for its Shariah-compliant products.

Capitalization

As a company incorporated under the 'Limited by Guarantee' structure, CEIP does not have share capital. Following adjustments for internal capital generation, the Institution's total funds increased to Rs. 557.5 mn as of Dec'24 (Jun'24: Rs. 521.5 mn; Jun'23: Rs. 450.6 mn). CEIP's capital position remains strong, with a Capital Adequacy Ratio (CAR) of 31.0% (FY24: 31.7%; FY23: 28.1%), reflecting adequate headroom for growth and a sufficient capital buffer over the foreseeable horizon. Sustained high CAR signifies resilience of internal capital generation capacity of the company.

CSC Empowerment and Inclusion Programme — Appendix I

FINANCIAL SUMMARY				(Rs. in millions)
BALANCE SHEET	**Jun'22**	**Jun'23**	**Jun'24**	**Dec'24**
Cash and bank balances	294.10	202.42	430.92	514.77
Short term investments	66.68	55.28	15.26	16.69
Service charges receivables	47.18	51.69	54.77	46.07
Net Advances	1,825.39	1,688.97	1,521.03	1,540.58
Fixed and Right of Use Assets	83.50	71.27	62.05	66.70
Total Assets	2,356.62	2,116.14	2,149.24	2,329.93
Long-term borrowings (Inc. lease liabilities & current portion)	1,764.63	1,510.98	1,494.14	1,634.14
Short-term borrowings	125.00	49.80	50.00	50.00
Total Borrowings	1,889.63	1,560.78	1,544.14	1,684.14
Total Liabilities	1,972.33	1,665.58	1,628.02	1,772.42
Total Equity	384.29	450.56	521.22	557.51
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**1HFY25**
Net Mark-up Income	292.67	313.63	322.72	175.00
Net Provisioning/ (Reversal)	92.64	18.33	1.80	23.68
Non-Markup Income	87.01	95.43	97.85	51.59
Other Income	35.59	49.79	49.10	23.90
Profit/ (loss) before tax	10.90	66.27	70.66	36.30
Profit/ (loss) after tax	10.90	66.27	70.66	36.30
RATIO ANALYSIS	**FY22**	**FY23**	**FY24**	**1HFY25**
NPLs	80.84	48.23	30.58	4.74
Gross Infection %	4.20%	2.72%	1.96%	0.30%
Incremental Infection (%)	0.02%	0.22%	-0.77%	-1.47%
Net Infection (%)	0.44%	0.00%	0.00%	0.00%
Net NPL's to Tier-1 Capital	2.10%	0.00%	0.00%	0.00%
Capital Adequacy Ratio (%)	23.45%	28.06%	31.71%	30.97%
Markup on Earning Assets (%)	36.28%	35.28%	37.92%	35.69%*
Cost of Funds (%)	13.70%	20.71%	23.37%	20.06%*
Spreads (%)	22.58%	14.57%	14.55%	15.64%*
OSS (%)	99.15%	107.27%	107.43%	107.86%*
ROAA (%)	0.48%	2.96%	3.31%	3.24%*
ROAE (%)	2.88%	15.88%	14.54%	13.46%*
Liquid Assets to Borrowings (%)	19.09%	16.51%	28.90%	31.56%
Specific Provisioning Coverage (%)	90.01%	100.00%	100.00%	100.00%
General Provisioning Coverage (%)	1.40%	2.21%	0.61%	1.81%

**Annualized*

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	CSC Empowerment and Inclusion Programme
Sector	Microfinance Institution
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
Rating Type: Entity				
23-Apr-2025	BBB-	A3	Stable	Reaffirmed
22-Feb-2024	BBB-	A3	Stable	Initial

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

S.No.	Name	Designation	Date
1.	Mr. Jawad Yousaf	CFO	12th March 2025
2.	Ms. Nabeela Nadeem	Head of Operations	
3.	Mr. Zeeshan Faridi	Manager Finance	