VIS
Credit Rating Company Limited

DAMEN SUPPORT PROGRAMME

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB	A3	BBB-	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgraded		Reaffirmed	
RATING DATE	February 12, 2026		May 23, 2025	

Shareholding (10% or More)	Other Information
Company Limited by guarantee	Incorporated in 2014
	Not-for-profit Company (NBFC)
	Chief Executive: Mr. Asghar Ali Memon
	External Auditor: BDO Ebrahim & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Non-Bank Finance Company Rating
https://docs.vis.com.pk/Methodologies-2025/NBFC-Nov-2025.pdf

Rating Scale

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

Rating Rationale

The assigned ratings reflect Damen Support Programme's ('DSP' or the 'Institution') stable credit profile, supported by a clear social mandate, experienced management, and a structured governance framework with active board oversight. The Institution's loan portfolio is diversified across sectors such as craftsmanship, trade and livestock, with a focus on group lending to mitigate credit risk, through social guarantees. While the portfolio is predominantly unsecured, DSP's emphasis is on repeat borrowers with proven repayment histories. Business risk profile is supported by steady portfolio expansion, a diversified borrower base, and improving economic conditions that have aided repayment behavior. Asset quality indicators have strengthened, supported by enhanced credit assessment, close portfolio monitoring, and targeted client engagement measures, resulting in contained credit risk and adequate provisioning buffers.

Profitability has improved on the back of stable lending activity, a favorable funding cost environment, and improved operating self-sufficiency, despite elevated operating and administrative expenses associated with growth and inflationary pressures. Financial risk profile is assessed as sound, supported by a strong capital base built through internal surplus generation, prudent reserve allocations, and compliance with regulatory capital requirements.

Liquidity profile has improved, reflecting higher on-balance sheet liquidity and a manageable maturity profile of borrowings. While reliance on borrowed funds remains a structural feature, leverage remains within prudent limits, and foreign currency exposures are mitigated through hedging arrangements. Overall, the ratings incorporate the institution's stable operating profile and adequate financial flexibility.

Going forward, DSP's ratings will depend on its ability to maintain strong asset quality through continued stringent portfolio monitoring and proactive client engagement. Enhancing profitability via sustainable yield management and cost optimization will also be essential. Moreover, taking proactive measures to mitigate any adverse impact of foreign exchange risk and strengthening capital buffers will be critical to supporting the ratings.

Company Profile

Damen Support Programme ('DSP' or the 'Institution') originates from Development Action for Mobilization and Emancipation (DAMEN), a non-profit organization established in 1992 under the Societies Registration Act, XXI of 1860. DAMEN was founded by professionals dedicated to grassroots development in Pakistan. In 1996, DAMEN introduced a microcredit program on small scale to promote economic activities within communities, particularly focusing on women's empowerment. Recognizing the need for a better focus on financial inclusion, to create synergies with its social sector programs, attract more donors and investors, and gain greater access to funds from commercial banks, DAMEN spun off its microfinance segment in 2015, establishing DSP as an independent non-profit entity.

DSP remains committed to financial inclusion and the economic uplift of marginalized communities, particularly women. Through microfinance services, vocational training, and capacity-building programs, DSP aims to foster self-reliance and contribute to sustainable development in Pakistan.

Management and Governance

Name	Position	Experience
Ms. Naghma Rashid	Chairperson	35+ years
Ms. Syeda Shehrbano	Director	22+ years
Mr. Shahzaib Sanwal	Director	12 years
Mr. Wajih Hussain Zaidi	Director	25+ years
Ms. Manal Bakhtiari	Director	15+ years
Ms. Sadaf Rehman	Director	20 years
Mr. Fran Maqsud Mian	Director	20+ years
Mr. Asghar Ali Memon	CEO	30+ years

DSP's Board of Directors (BoD) and senior management possesses significant expertise in microfinance and financial services. The Board currently consists of eight members, with Ms. Naghma Rashid serving as the Chairperson.

During the review period, Mr. Asghar Ali Memon replaced Mr. Musharraf Mahmood Khan as the Chief Executive Officer (CEO). Additionally, the Board inducted two new directors, Mr. Fran Maqsud Mian and Mr. Wajih Hussain Zaidi, who bring over 20 years and 25 years of experience, respectively.

The Board maintains oversight through five Board-level committees: Human Resource & Remuneration Committee, Transformation Committee, Audit Committee, Risk & Compliance Committee, and IT & Digitalization Steering Committee.

Auditor
BDO Ebrahim & Co. Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of June 2025.

Business Risk

Gross Loan Portfolio (GLP)

During FY25, the Gross Loan Portfolio (GLP) increased moderately to Rs. 5.1bn (FY24: Rs. 4.5bn), aligning with the increase in disbursements made during the year to PKR 8.5bn (FY24: Rs. 7.5bn) across the institution's lending programs. In the first half of the ongoing year, GLP remained stable at PKR 4.5bn. However, an improvement in economic conditions strengthened borrowers' repayment capacity, allowing DSP to expand its lending activities and client base, with the number of borrowers increasing to 102,204 (FY24: 98,800) during FY25, as recoveries of PKR 7.7bn (FY24: PKR 7.2bn) made during the outgoing year. Furthermore, GLP expansion was also driven by an increase in average ticket size, reflecting the impact of ongoing inflation.

PROFITABILITY

During FY25, markup earned on advances increased to PKR 1,866.1mn (FY24: PKR 1,750.0mn), driven by growth in the lending portfolio, though yield on advances slightly declined to 38.7% (FY24: 39.9%). The decline in yield was primarily attributed to lower benchmark rates. Similarly, the yield on financial investments and bank placements also declined, standing at 10.2% (FY24: 16.8%) in FY25. Despite an increase in the borrowing base, finance cost declined to PKR 702.3mn (FY24: Rs. 887.8mn), mainly on account of a decline in the average cost of funding to 15.2% (FY24: 20.4%). As a result of the respective movements in yield and costs, DSP reported an improved spread of 20.0% (FY24: 17.4%) during FY25.

Given its exposure to foreign currency borrowings, DSP remains susceptible to exchange rate fluctuations. To hedge this risk, the Institution has entered into cross-currency swap agreements that lock in exchange rates for principal repayments and set interest rates on foreign loans. The total cost of the swap including the net impact of mark-to-market adjustments and exchange rate differentials amounted to PKR 85.2mn (FY24: PKR 81.4mn) in FY25.

Direct operational costs increased to PKR 920mn (FY24: PKR 826.7mn), largely due to higher employee-related expenses amounting to PKR 628.0mn (FY24: PKR 540.6mn). General and administrative expenses significantly rose to PKR 171.1mn (FY24: PKR 84.1mn) primarily due to the write-off of an advance payment made for the purchase of a Core Banking System (CBS) of PKR 46.4mn. Moreover, provisioning expenses increased to PKR 93.3mn (FY24: PKR 88.8mn). Despite the increase in costs, DSP's profitability improved, with Operational Self-Sufficiency (OSS) ratio increasing to 110.6% (FY24: 102.6%) in FY25, given higher total income.

Going forward, revenue is expected to rise, underpinned by business expansion initiatives. As the loan portfolio scales, preserving asset quality will be essential for effective credit risk mitigation. Operating costs are likely to trend upward in line with operational growth. Profitability stands to benefit if growth targets are achieved and cost pressures remain contained.

Financial Risk

ASSET QUALITY

By the end of Jun’25, Non-Performing Loans (NPLs) declined to PKR 58.9mn (Jun’24: PKR 78.8mn), leading to an improvement in the gross infection ratio to 1.1% in FY25 (FY24: 1.8%). In FY25, provisioning under NBFC & NE regulations (PKR 66.4mn) exceeded that under the ECL model (PKR 60.5mn). Consequently, the higher specific provisioning of PKR 40.7mn under NBFC & NE regulations was recognized. This increase in specific provisioning, combined with lower NPLs, resulted in a decline in the net infection ratio to 0.4% (FY24: 0.8%). The incremental infection ratio also decreased to 1.5% (FY24: 1.8%), while write-offs against provided advances stood at PKR 93.8mn (FY24: PKR 124.0mn). Specific provisioning coverage increased to 69.2% (FY24: 56.7%), whereas general provisioning coverage remained stable at 0.5% in FY25. Nonetheless, the general provision level remained in compliance with NBFC regulations, which mandate maintaining a minimum general provision of 0.5% on the net outstanding microfinance portfolio. These trends reflect a sound portfolio position, with no significant accumulation of credit risk and sufficient buffers against potential losses.

Moreover, the PAR>29 days ratio improved to 1.1% (FY24: 1.8%), supported by diligent portfolio monitoring and targeted client engagement initiatives. To strengthen portfolio quality, the institution implemented several risk-mitigation measures.

INVESTMENT MIX

DSP’s investment portfolio is limited and primarily focused on Term Deposit Receipts (TDRs). As of Jun’25, the total principal invested stands at PKR 137.8mn (Jun’24: Rs. 137.8 mn; Jun’23: Rs. 89.3 mn). The interest rates on these investments ranges between 10.85% and 7.20%, generating stable returns through low-volatility instruments. The credit risk associated with the investment portfolio is considered minimal, as the invested banks exhibit strong financial stability and favorable credit ratings as of Jun’25. Market risk remains limited due to the short-term nature of the investments, with maturity periods ranging from three months to one year. However, DSP remains exposed to reinvestment risk, as declining interest rates may impact the yields available upon maturity of the current instruments.

CAPITALIZATION

DSP, as a "Limited by Guarantee Company," does not have share capital. By the end of Jun’25, the Institution's total reserve funds had increased to PKR 1,558.3mn (Jun’24: Rs. 1,334.9 mn; Jun’23: 1,163.2 mn). This growth was driven by internal surplus generation, microcredit loan revolving fund and transformation and expansion reserve. The Endowment Fund includes contributions of Rs. 31.8 mn from the Pakistan Poverty Alleviation Fund (PPAF) and Rs. 88.4 mn from the DAMEN Society.

To reduce reliance on external funding for its microfinance loan portfolio, DSP established a loan revolving fund (reserve), where 60% of the annual surplus is transferred. Additionally, the Institution created a Disaster Relief Fund, allocating 0.5% of the net surplus to cover costs arising from unforeseen events or disasters. A Staff Health Reserve was also introduced, setting aside 0.5% of the annual surplus to cover medical expenses not covered by staff health insurance or when insurance limits are exceeded. Furthermore, 25% of the surplus is allocated to a Transformation and Expansion Fund. To comply with Section 32(3) of the NBFC Regulations, which requires maintaining a special reserve of at least 5% of profit after tax, DSP established a Special Reserve Fund.

As of Jun'25, Tier-1 capital stood at PKR 1,441.4mn (Jun'24: PKR 1,204.3mn), while total eligible capital was reported at PKR 1,558.3mn (Jun'24: PKR 1,334.9mn), with Tier-2 capital comprising free and available general provisions. Risk-Weighted Assets (RWAs) amounted to Rs. 5,847.9mn (Jun'24: Rs. 5,089.7 mn). In terms of capital adequacy, DSP remains in a strong position, with a Capital Adequacy Ratio (CAR) of 25.0% (Jun'24: 24.6%; Jun'23: 23.0%) as of Jun'25 and expected to remain sufficient during the rating horizon.

LIQUIDITY

DSP's liquidity position has improved over the review period, as indicated by an increase in liquid assets relative to outstanding obligations, reaching 19.8% (FY24: 13.6%; FY23: 9.2%) at the end of FY25. Higher proportion of liquid assets is being held in bank deposits, which stood at PKR 713.1mn as of Dec'24 (Jun'24: PKR 375.0mn; Jun'23: PKR 250.7mn). Consequently, liquid assets in absolute terms increased to PKR 982.6mn (Jun'24: PKR 586.1mn; Jun'23: PKR 403.9mn) by Jun'25.

Total borrowings, including markup payable, stood at PKR 4,822.1mn (Jun'24: PKR 4,186.3mn; Jun'23: PKR 4,270.0mn) at the end of Jun'25. A significant portion (~63%) of the borrowings were sourced from the Pakistan Microfinance Investment Company (PMIC). The institution has also secured funding from local banks as well as borrowings from the State Bank of Pakistan (SBP).

In addition to domestic borrowings, DSP has secured foreign currency loans from three international entities. These include two facilities from Blue Orchard totaling $4.0mn and $1.5mn (~9% of total borrowings). The $4.0mn facility has been fully repaid, while the first installment of $1.5mn loan is repaid in Oct'25 and next is due in Apr'26. A loan from Symbiotics amounting to $0.75mn (~5% of total borrowings) was repaid in Sep'25. During FY25, the Institution also obtained a $2.0mn loan from Triple Jump (~12% of total borrowings), with repayments scheduled in 3 tranches till Dec'26. All foreign currency loans are hedged through cross-currency swap agreements, which ensure availability of foreign exchange at maturity and mitigate the risk of losses arising from depreciation of the Pakistani Rupee.

The Institution's leverage declined over the review period, reaching 3.56x (CY24: 3.69x), well below the regulatory ceiling of 10x. A review of current maturities reveals no immediate liquidity strains. Under current conditions, the Institution's liquidity position appears adequate to support its operational requirements.

Financial Summary			Appendix I
Balance Sheet (PKR Mn)	FY23A	FY24A	FY25A
Operating Fixed Assets	209.27	296.32	297.30
Net Advances	4,275.10	4,500.03	5,134.71
Short term Investments	89.31	144.06	141.19
Cash and Bank Balances	314.60	442.04	841.38
Total Assets	5,719.18	5,783.06	6,691.10
Long-term Borrowings (Including lease liabilities)	4,392.57	4,304.11	4,950.49
Short-term Borrowings	-	-	-
Total Borrowing	4,392.57	4,304.11	4,950.49
Total Liabilities	4,555.96	4,448.20	5,132.83
Tier-1 Equity	1,113.15	1,204.25	1,441.40
Total Equity	1,163.22	1,334.86	1,558.27
Income Statement	FY23A	FY24A	FY25A
Net Markup Income	1,558.19	1,822.29	1,936.37
Net Provisioning/ (Reversal)	116.81	88.78	93.26
Non-Markup Income	627.02	231.79	270.55
Operating Expenses	1,570.18	1,737.55	2,011.00
Profit/ (Loss) before Tax	61.32	70.81	223.42
Profit/ (Loss) after Tax	61.32	70.81	223.42
Ratio Analysis	FY23A	FY24A	FY25A
NPLs (PKR Mn)	120.13	78.81	58.89
Gross Infection (%)	2.77%	1.76%	1.14%
Incremental Infection (%)	2.79%	1.83%	1.50%
Net Infection (%)	2.13%	0.77%	0.35%
Specific Provisioning Coverage (%)	23.44%	56.73%	69.16%
General Provisioning Coverage (%)	1.72%	0.50%	0.50%
Net NPL's to Tier-1 Capital	1.62%	0.99%	1.26%
Capital Adequacy Ratio (%)	23.00%	24.65%	25.00%
Markup on Earning Asset (%)	33.26%	37.83%	35.18%
Cost of Funds (%)	16.98%	20.42%	15.18%
Spread (%)	16.28%	17.41%	20.00%
OSS (%)	102.63%	102.58%	110.63%
ROAA (%)	1.10%	1.23%	3.58%
ROAE (%)	5.41%	5.67%	15.44%
Liquid Asset to Borrowings (%)	9.20%	13.62%	19.85%
Leverage (x)	4.09	3.69	3.56

Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Damen Support Programme
Sector	Microfinance Institution
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	(see 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.
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Due Diligence Meetings Conducted	(see below)

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
Feb 12, 2026	BBB	A3	Stable	Upgraded
May 23, 2025	BBB-	A3	Stable	Reaffirmed
April 17, 2025	BBB-	A3	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Wajid Ali Khan	Chief Financial Officer (CFO)	13th January, 2026